

# **Social Dialogue at Enterprise Level**

Successful Experiences

**SOCIAL DIALOGUE  
AT  
ENTERPRISE LEVEL**  
**Successful Experiences**

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# Foreword

The role of the International Labour Organization (ILO) in promoting tripartism and social dialogue at the workplace is at the heart of its mandate. The ILO has supported and encouraged tripartite and bipartite cooperation as the best approach towards preventing and resolving conflicting positions on labour matters. In this context, the ILO Director-General, Juan Somavia, has noted that “the best solution arises through social dialogue in its many forms and levels, from national tripartite consultations and cooperation to plant-level collective bargaining. Engaging in dialogue, the social partners also fortify democratic governance, building rigorous and resilient labour market institutions that contribute to long-term social and economic stability and peace.” During the past few years, the work of the ILO in South Asia and Vietnam has clearly demonstrated the enormous potential for participatory mechanisms in helping to resolve difficult labour and employment issues.

The South Asian and Vietnam Project on Tripartism (SAVPOT), a Norwegian-funded programme covering Bangladesh, India, Nepal, Pakistan, Sri Lanka and Vietnam focusses on developing and profiling innovative labour relations practices at the enterprise level, identifying policy interventions to support workplace dialogue and to disseminating the findings. In a number of countries, the project was able to enlarge the contours of collective bargaining. While earlier, collective bargaining covered mainly wages and working conditions, in recent years new issues like productivity, job flexibility, and non-monetary issues such as welfare were also addressed successfully. Most importantly, participatory dialogue involved the democratisation of labour management interactions and helped to change attitudes and values. It provided trade unions with an opportunity to experiment with labour relations beyond the collective bargaining process on an equal footing with management. For employers the experiments have reduced waste, increased productivity, reduced turnover and provided a better motivated workforce, a better working environment and monetary gains for the workers in a win-win situation. Several of the case studies resulted in a relatively high increase in wages, partly as a result of the productivity increase due to the ideas developed in the workplace dialogue.

This publication contains several papers presented at the Regional Meeting on Sharing Experiences of Social Dialogue at the Workplace held in Delhi from 1-3 November

2004. It also includes a paper on the concept, methodology and outcome of the SAVPOT project. Empirical material includes an analysis of experiences of organizational behaviour reflecting workers' involvement and participative management through work teams in a porcelain factory in Sri Lanka and the study of a plantation which highlighted the use of social dialogue as a means of enhancing productivity and quality of work life. In addition, it contains a study of two automobile companies in India and of their two ancillaries to identify the potential benefits that social dialogue brings in the auto industry. The Factory Improvement Programme strategy for developing social dialogue at the workplace along with health and safety, working conditions, productivity and quality is also included to bring out the remarkable changes that took place in the participating factories.

I wish to thank all contributors, particularly my colleague A. Sivananthiran and C.S. Venkata Ratnam for their valuable assistance in editing and publishing this volume for wider dissemination of the project ideas and experiences. And last but not least, I would like to express our appreciation to the government of Norway for its support to the SAVPOT project.

December 2004

**Herman van der Laan**  
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# Preface

Social dialogue at the national level refers to the cooperation between social partners, i.e. workers' and employers' organizations, and the Government. It can address a wide range of issues from labour relations to wider social and economic challenges. Strengthening tripartism and social dialogue is one of the four strategic objectives of the ILO. Tripartism and social dialogue is one of the founding principles of the ILO reflected in the Declaration of Philadelphia. Tripartite social dialogue is practised by the ILO at the international level through the International Labour Conference and its Governing Body.\*

Social dialogue at the national level has become an important component of good governance in many countries. Tripartite social dialogue in economic and social policy-making has a fundamental role to play in furthering democracy, social justice and a productive and competitive economy. The association of all three parties concerned in the design and implementation of economic and social policies facilitates consensus building with a balance between the demands of economic development and social cohesion. It also provides the best possible scenario for the effective and sustainable implementation of the policies concerned, minimizing the risk of industrial and social conflict.

Governments, employers or workers acting alone cannot achieve economic prosperity, stability, and social progress. Social dialogue provides social partners and other stakeholders with the opportunity to participate in deciding their future. The aim of this participation and cooperation is to facilitate agreements on a socially acceptable combination of wealth creation, economic and social progress, social security, stability and equity. Social dialogue is regarded primarily as a means aimed at achieving these goals. It is an effective tool for solving collective challenges by creating the structure and environment suitable for more efficient problem-solving. In other words, it is about facilitating constructive interaction in order to arrive at social consensus/compromise among the stakeholders in a society.

In many countries, the individual enterprise has emerged as an important focus for strategy and decision-making on human resources and industrial relations. This implies that managers, sometimes in collaboration with local unions, have been the driving

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\* Junko Ishikawa, Key Features of National Social Dialogue: A Resource book, ILO 2003.

force behind these changes. Given this trend towards decentralization of industrial relations and collective bargaining, there was a search for greater flexibility in order to encourage the creative potential of workers at all levels of the organization. It is increasingly clear that many countries are realizing that they cannot succeed in improving living standards, employment opportunities and quality of working life for their citizens, whilst many workplaces still maintain traditional systems of work where work organisation is more suited to the era of mass production and low skills/pay. Many of these organisations are prisoners of a turbulent past, characterised by adversarial industrial relations and possessing a well-organised resistance to change which can be present from the boardroom down to the factory floor.

An important index of how firms adjust to new business pressures is the quality of their employees' relations at the workplace. While higher rates of change and unpredictability can create industrial conflicts, well functioning channels of social dialogue can reduce the likelihood of conflict. In order to react more swiftly to market changes, well established institutions of communication and cooperation are needed. They help to build the processes for establishing shared ownership to improve business performance. Sound industrial relations can, in fact, be channels of dialogue and conflict resolution. If creativity and innovation count more for firms competing in tough markets, the quality of workplace dialogue will be the key factor in building the sort of commitment, motivation and skills required.

The South Asian and Vietnam Project on Tripartism (SAVPOT), a Norwegian-funded programme covering Bangladesh, India, Nepal, Pakistan, Sri Lanka, and Vietnam, was to develop and profile innovative work practices at the enterprise level, identify policy interventions to support workplace dialogue and disseminate its findings.

In a number of countries, the project was able to enrich the collective bargaining process. New issues like productivity, job flexibility, and expand its scope to cover non-monetary issues such as welfare and social security. It also provided the unions and employees with an opportunity to experiment with labour relations beyond collective bargaining on an equal footing with the management.

The ILO's Factory Improvement Programme implemented in Sri Lanka highlights its benefits such as the reduction in turnover, reduction of waste, increased exports and productivity in the garment sector, at a time when the MFA is about to conclude in January 2005. The project, in most countries, was initiated through the cooperation of employers and trade unions and the sustainability of this project idea depends on their initiatives. A key conclusion emanating from all the case studies was that the challenge of building sustainable labour management relations at the workplace is dependent on partnerships with free, strong, and representative workers' organisations.

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This publication includes a case study based on the experiences of setting up work teams in several work units of a porcelain factory in Dankotuwa, Sri Lanka, the study of the Maha Oya Group of Bogwantalawala plantations which highlights the use of social dialogue as a means of enhancing productivity and quality of worklife. In addition, a study of two automobile companies in India and of their two ancillaries to identify the potential benefits that social dialogue may bring about in the auto industry has been detailed to examine the strategies and mechanisms for successfully instituting social dialogue.

The objective of this publication is to introduce concepts of social dialogue at the workplace, enumerate enabling conditions for social dialogue to work effectively, and demonstrate positive features of social dialogue with empirical studies.

Though social dialogue takes place at several levels—such as international, national, regional, sectoral and enterprise levels—this book focuses on social dialogue at the workplace level. However, the information given in this book can also be applied to social dialogue at the sectoral level.

New Delhi  
25 November 2004

**A Sivananthiran**  
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# SAVPOT : Overview

One of the main challenges that Asian countries are facing, and will continue to face in the coming years, is the need to adjust their economic and social systems in accordance with the process of globalization. This process cannot be managed equitably and efficiently without social dialogue among the main stakeholders. Despite its proven worth, social dialogue is far from fully utilized in South Asia. In some countries, freedom of association is still not fully guaranteed and in many others, trade union density has decreased and industrial relations institutions have eroded. In some enterprises, social dialogue has been weakened by developments that have tended to favour individual over collective action. The emerging pattern of more complex and flexible types of employment has loosened many social ties and widened the disparities between the formal and informal economies.

From the ILO's perspective, tripartism and social dialogue are integral components of decent work and essential channels for achieving it. As stated by the ILO Director General, "Cohesive tripartism is the ILO's bedrock". The main goal of social dialogue is to promote consensus building and democratic involvement among the main stakeholders in key aspects relating to the work environment. Successful social dialogue structures and processes have the potential to resolve important economic and social issues, encourage good governance, advance social and industrial peace and stability and boost economic progress. One of the key rewards of social dialogue is mutually rewarding relationships between partners which, in turn, lead to decent working environments, job satisfaction, and good enterprise performance and, in general, generate beneficial outcomes and rewards for all.

In recent years, there have been positive developments in South Asia where social partners have renewed their efforts to build sound institutions with a growing recognition of the important role of social dialogue in social and economic policy areas. The ILO's South Asia and Vietnam Project on Tripartism and Social Dialogue (SAVPOT) documents successful cases of social dialogue at the enterprise level. A regional tripartite project covering Bangladesh, India, Nepal, Pakistan, Sri Lanka and Vietnam, SAVPOT aimed at promoting social dialogue as a means to social and economic development in working life. Strengthening tripartism and social dialogue is one of the four strategic objectives of the

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ILO. Tripartism and social dialogue is one of the founding principles of the ILO reflected in the Philadelphia Declaration. Social dialogue at the national level has become an important component of good governance in many countries.

With globalization, the work culture and working systems in enterprises have become the focus of attention. Through the establishments of work councils, partnership committees or some other form of participatory mechanisms, social dialogue is used to manage workplace change and increase productivity and competitiveness in a way that avoids industrial conflict.

In the last four years, the project has demonstrated its usefulness in addressing a variety of important issues both for newly established enterprises, multinationals operating in the region and state-owned companies that have been newly privatised. The approach has proved to be useful for productivity increases, quality improvement, and awareness of collective bargaining, workers' rights and gender issues. It can also contribute to improving the work environment, social welfare in enterprises and the communities within which enterprises are operating. Social dialogue can operate independent of, or as a supplement to, current management approaches such as lean production, just-in-time production and total quality management.

SAVPOT's objective was to make tripartism and bipartism effectively address the new challenges of globalisation through social dialogue at all levels. Social dialogue is a key factor in establishing a dynamic industrial relations system necessary to deal with the challenges of a global economy. The main actors within social dialogue at the enterprise level are managers, workers and unions in the enterprises (bipartism), and at the national level, representatives of the government, workers and employers (tripartism). Social dialogue is based on the competency of the participants, their interests and common long-term values. SAVPOT employs four main lines of action (a) develop and profile innovative work and dialogue at the enterprise level; (b) develop and support social dialogue at the national level, identifying where policy interventions could assist enterprise growth and workplace improvement; (c) dissemination of best practices and training; and (d) involvement of women in social dialogue .

### **Concept, Methodology and Outcome**

For the ILO, social dialogue plays a pivotal role in identifying important labour and social issues among the ILO's constituents. The ILO's fundamental principles and rights at work, and particularly the right to associate and bargain collectively are the pre-conditions for social dialogue. However, they also require the effective operation of social dialogue for them to be fully realized. The rights are intertwined with the process. Rights cannot be realized without the capacity of the government and social partners to practice

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their rights and without the institutional framework for dialogue to make it possible for these rights to be realized in specific circumstances. Nor can social dialogue operate effectively without respect for adherence to these rights in practice. Social dialogue does help in identification of issues between labour and management and should act as a supplement. Hence, if social dialogue is looked as a flexible tool in industrial relations designed to bring management and employees closer to each other, then it becomes extremely relevant in the context of South Asia. It is obvious that interaction among workers and employers is essential for promoting social dialogue. In other words, there must be an initiation of informal dialogue to establish formal or structured dialogue.

The SAVPOT was started in 1999, continuing through 2004, with a view to supplementing collective bargaining with consultation or participative dialogue among management and labour or unions at the enterprise level to meet the challenges of globalization and liberalization. A different method was followed in Vietnam. In each of the remaining four countries, a few enterprises were identified, which were willing to participate in such a project. The objectives were to create a willingness to consult, to provide the basics for designing enterprise-specific consultation or dialogue systems and provide a supportive network for continuation of the experience. Social dialogue in the context of the project meant systematic participative communication. The pilot phase was completed in mid-2001 and the project so far has provided glimpses of success.

Social dialogue as a term or concept or practice was totally new to the region in the context of collective bargaining and workers' participation. Terms like meetings or discussions or consultations are more readily acceptable. Also, given the predominant role that governments or the state has played in industrial relations in the region, the acceptance of any new form or process or structure depends to a great extent on how the governments promote or establish it. What really helped in its acceptance was probably the challenge of globalization. Most employers were facing severe competition in the domestic and international markets and were willing to give something new a trial, even if they were fairly skeptical about its ultimate efficacy. The methodology of the project, and the lessons learnt draw heavily from the reports prepared by Ratna Sen, the main consultant working for the SAVPOT project\*.

## **METHODOLOGY FOR THE PROJECT**

The basic strategy for the SAVPOT project was to bring several enterprises in each country together on a common platform to learn to practice dialogue. The workshop method was tried successfully, during which a learning environment was created. In some cases, where enterprises were already engaged in dialogue, innovative practices

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\* See reports prepared by Ratna Sen on the SAVPOT Methodology. ( ILO - SRO-Delhi 2001-2002) and "Supplementing Collective Bargaining with Participative Social Dialogue in the Context of Globalization", paper presented by her at the 13<sup>th</sup> International Conference, IIRA Free University, Berlin 2003.

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were profiled and presented to others as case studies to encourage emulation. The pilot phase started by initiating discussions with the main constituents of industrial relations systems. These constituents were requested to help in identifying about six enterprises from their respective countries, which would then be selected as participants in the project. At the same time, it was decided to form tripartite national advisory groups for each country. The selection criteria had to ensure that a fair cross-section representing different industries in each country ought to be selected. These industries should have been affected by the globalization process and should be willing to participate in the project. Union as well as non-union enterprises were targeted. The enterprises would also have to agree to research on and document the process. The project could not cover the export processing zones, which had been one of its original intentions; non-union enterprises could not also be selected, due to management apprehensions about unions, except for one in Bangladesh and one in Nepal, both being export garment manufacturers. Two of the three Sri Lankan enterprises had been public sector units earlier and had been privatized in 1992 and 1996. In India, five enterprises were selected by the Employers' Federation of India (EFI). All were large established industries, less varied than those in the other countries. Most of them had one recognized union and a few had other unions too. All the unions were strong and vocal.

Project Teams were appointed for each country in consultation with the local ILO office, including a National Project Coordinator (NPC). The teams visited the enterprises selected, and provided guidance on participation, workshop preparation and subsequent follow-up on action plans.

## **THE WORKSHOPS**

The three workshops in each country were designed to bring together about four representatives (two from the management and two from the union) from each enterprise in a common forum. At the workshops, they would jointly, or in groups identify their own challenges, devise their own methods of consultation and establish their own systems for workplace dialogue. During the process, they could learn (a) about other enterprises and industries; (b) from each other; (c) how to consult among themselves to arrive at a decision; or (d) how to work together. It was also necessary to devise a warm, supportive yet non-partisan role for the project personnel conducting the workshops, so that they would not intrude on the enterprises' decision-making process. At the same time, they should be available to ask indicative questions, smoothen out deadlocks or bottlenecks and encourage openness. It was also required to design follow-up action for the NPCs after and between the workshops. The workshop designs combined a mix of plenary sessions and group work with a minimum of lecture sessions. The main resource persons were the participants themselves. The participants were not only put into their own enterprise groups but also into mixed groups with managers and employees from different enterprises and into homogeneous groups of all managers or all unionists.

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Such different combinations were made to maximize the freedom of participants on various issues. The workshops would become training opportunities for the participants on how social dialogue starts, develops and institutionalizes.

The First Enterprise Workshop was designed to acquaint the participants with each other and with the objectives of the project, i.e. identify challenges for the enterprise through social dialogue, formulate action plans and projects to meet these challenges through dialogue and implement such actions and create a dialogue between enterprises for mutual learning and exchange of information. The participants would also have to outline concrete proposals or action plans for implementation at the enterprise level. The Second Enterprise Workshop was designed to analyze the old or existing and new dialogue processes, consolidate the project, improve the participants' understanding about the dialogue process and provide a framework to the enterprises for assessing their own dialogue processes. The participants themselves were to discuss among enterprise groups whether the participative dialogue had been able to draw on more individuals. New issues were taken up for discussion. Factors such as fear or reluctance inhibited the dialogue, yet several practical and tangible gains were seen as emerging. This analysis was expected to provide the participants concrete guidelines on improvement of dialogue.

The Third Enterprise Workshop aimed at development of enterprise policy for sustaining dialogue within enterprises and for its monitoring, and installing systems for sustaining dialogue among the selected enterprises in one country and among the countries and policy/systems for disseminating experience gathered so far throughout the country or to start a nation-wide dialogue. Each of the enterprise groups exhibited their own styles, but at the workshops they proved eager to learn. If one enterprise presentation was made partly by employee representatives, subsequent presentations by other enterprises followed the same pattern. This demonstrated learning through action. Candid admissions by one enterprise encouraged transparency among other enterprises. Questions asked after presentations indicated eagerness to learn and understand and also the freedom of union representatives to reply. There was some indication that specific questions were either not understood or deliberately avoided.

Issues identified by participants in the first workshop were generally conventional; managers emphasizing discipline, high productivity, understanding changed scenario, cleanliness, sense of ownership, industrial peace, safety, security and company image, and unions harping on remuneration and related compensation matters, personal development, nepotism and favoritism, new rules and regulations. However, issues with financial or long term implications were left out. Since the workshops helped participants to focus attention on the real challenges ahead, the issues revolved around efficiency, productivity, quality, job rotation, employment composition and so on. Issues related to competition, computerization, costs, work culture, technology and training also emerged during the workshop.

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The second workshop did not make much headway as the issues raised during it were mainly confined to salaries, allowances, working conditions, productivity, absenteeism, discipline, occupational health and safety. While lack of transparency hampered dialogue, the results were usually compromises rather than rational decisions. In contrast, the third workshop was achievement oriented. There was better understanding of each other; sounder industrial relations, better productivity, better leadership and perceptible attitudinal changes. Unions said that informal interaction had increased and they themselves were more aware of individual worker differences. More women had been inducted. The labour relations committees had become more active. Productivity had increased; absenteeism had been controlled and reduced. Unions felt that workers were being drawn to more discussions even on production matters and more suggestions were being taken from them. Managers admitted that workers were more committed and concerned about enterprise survival. Several enterprises decided to organize workshops to disseminate the idea of social dialogue.

Several of these workshops were held during 2001, in which the participating enterprises have taken the initiative to show other enterprises how to use dialogue. Government representatives were also given an opportunity to participate in these workshops. While enterprises or workers often regarded social dialogue as a government responsibility, the government in turn regarded it as the responsibility of unions or management at the enterprise level. The general consensus was that there should be national level commitment and awareness about social dialogue.

### **DIALOGUE AS A SUPPLEMENT**

Each of the workshops was for management and unions, training grounds not only in social dialogue but also in mature labour-management relations and consultative processes in the context of changing economic situation. Social dialogue appears to have helped enlarge the contours of collective bargaining; while much of the earlier collective bargaining was confined to wages and working conditions, new issues like productivity, job flexibility and non-monetary issues such as welfare were being considered. Participative dialogue involved democratization of labour management interactions, helping in change of attitudes and involving certain values rather than mere processes. The unions got an opportunity to sit on an equal footing with management to discuss issues relating to their enterprises. In situations of union multiplicity, collective bargaining could be supplemented with discussions and proved less problematic, as participative dialogue was less structured, less formal and involved more individuals than collective bargaining.

In Bangladesh, although four of the five enterprises had periodic collective bargaining on very basic issues, they had previously very little experience of any consultation or any union-management relations. The unions had no idea about the emerging challenges

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of liberalization and globalization. Also, the existing dialogue practised within enterprises was confined to senior managers and top unionists, and was generally management initiated. After the workshop, more employees were drawn into the process. One enterprise proposed to form a joint committee consisting of 30 members (15 managers +15 unionists) to discuss productivity improvement, skill development, new technology, training, staff grievances and other emerging issues, Participating managers said they had learnt that unions were not just disruptive and the unions said that managers could be trusted. They had both learnt that dialogue could not be confined to just a few people in an enterprise but must necessarily include more and more people and more and more issues together with respect for the others' views.

In Nepal, one enterprise revived its Labor Relations Committee and started a periodic communication meeting with the CEO. A second enterprise established a Joint Committee and a Central Coordinator for monitoring progress. A third union-less enterprise started a joint production planning and problem solving committee as well as a social fund for training in social dialogue, and the fourth started fortnightly meetings to bridge the communication gap between labour and management. In the case of a hotel, an agreement could be signed within 42 days, even though the union at the time had no defined status as a bargaining agent. Three of the enterprises reported that attitudes had changed, a fourth one, claimed to have reached mutual understanding and mutually acceptable solutions. Another said more frequent interactions with more discussions saw less confrontation. One of the fall-outs of the globalization process had been the reduction of employment per enterprise. Employment issues obviously were difficult to resolve. However, at the end of the three workshops, the participating enterprises not only had plans for establishing regular dialogue within their organizations but also plans for training their own employees and disseminating the idea to other enterprises.

In Sri Lanka, as the project progressed, efforts were made through dialogue to build customer-oriented culture, improve communication and team working and enhance employee skills. While one enterprise concentrated on formation of workgroups or teams at the shop floor level, another put more emphasis on achieving productivity gains and creating a new work culture. The third drafted guidelines for customer relations and a grievance procedure, with the help of union representatives. The setting up of a task force to monitor progress in one enterprise was a significant step. Two union groups, having substantial representation in their respective workshops, felt that management attitudes had changed considerably and are more responsive to union or employee problems.

In India, all the participants gave several examples of positive tangible benefits derived from dialogue. The issues appeared to range from work reorganization to pollution control to family welfare. One company developed a multi-skill index for workers of each shop. The participants admitted major changes had occurred in the way dialogue used to take

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place traditionally and the process that was being followed after the workshops. Overall, the organizations felt that the scope of dialogue (the partners involved had increased) and the system had become much more flexible and was no longer determined by hierarchy. Several issues relating to productivity, performance, quality, safety, redesigning of jobs, redeployment, transfers, welfare facilities and so on had been tackled. The frequency of the new dialogue in almost all enterprises was daily, weekly, monthly as well as need based. Both the unions and the management found the process of social or participative dialogue very advantageous in bringing about change in the attitudes of workers and management, increasing communication and transparency in the organization. Active participation had strengthened their mutual belief to co-exist and survive amidst the challenges of the competitive environment.

Participative dialogue helped to improve industrial relations in general. In spite of the existence of collective bargaining, there had been frequent confrontations between labour and management. During and after the dialogue process, most participants reported that relations improved. Almost all the enterprises said that there was greater tolerance on both sides and more stable industrial relations.

## **FEATURES AND OUTCOMES**

During the unfolding of the project, the following observations among all the four countries became apparent:

1. Employers were initially found to be more apprehensive, cautious and reluctant to join the project. Many wanted to know what would be the tangible benefits from the project. Some had fewer apprehensions about dialogue at the industry level or national level compared to the enterprise level where things would need to be much more specific.
  2. The enterprises, which finally agreed to be part of the project, were nearly all those which had a union or unions, had bargaining or consultative practices and, by virtue of these, better industrial relations. The enterprises which had poor industrial relations and which needed the project orientation more, did not agree to participate in decision-making with their employee groups.
  3. The traditional hierarchic relations which were quite visible at each of the first workshops were much less apparent or practically non-existent at the third workshops. Union participants were much freer, articulate and forthcoming. The pattern of presentations and discussions changed from domination by management to nearly equal participation. Even in non-union enterprises, employee opportunity to say what they wanted during and after the workshops appeared to have increased.
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4. The most frequent issue raised was on human resource training and development, followed by communication and cooperation, work culture, productivity, technological up gradation and working conditions. Other issues were production costs, waste reduction, remuneration and workforce restructuring.
  5. Political pressure exerted from outside, separatism and lack of (a) education among workers (b) awareness among both parties on the importance of social dialogue and (c) confidence were considered as obstacles. Inhibitions identified in Bangladesh were inarticulation, fear and absence of perception. One interesting obstacle was workers' apprehensions that management would mistake their participation for weakness.
  6. Practical or tangible benefits of the dialogue process were reduction in product rejections, increased productivity, better quality, multi-skilling, better working environment and monetary gains to the workers.
  7. Notwithstanding the fact that there were problems in each country, at the formulation and implementation stages of the project, participants expressed considerable satisfaction at the learning experience of the workshops. Most enterprise teams listed several things learnt from other enterprises, especially about the commonality of experiences and problems. The shared experience helped in implementing good practices and helped the enterprises to look beyond legal aspects. Nearly all the enterprises said that they had learnt that social dialogue was a daily occurrence where two sides could sit down together and discuss any issues without interruption from the other.
  8. Gender sensitization was introduced into the project shortly after its launch and its impact varied from country to country.
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# Sharing Experiences of Social Dialogue at the Workplace – An Overview

*A. Sivananthiran and R. Thamarajakshi*

## SYNTHESIS OF COUNTRY EXPERIENCES

### Introduction

The South Asia and Vietnam Project on Tripartism and Social Dialogue (SAVPOT), a regional tripartite project covering Bangladesh, India, Nepal, Pakistan, Sri Lanka and Vietnam, which aims at promoting social dialogue as a means to social and economic development in working life.

Social dialogue is a key factor in establishing a dynamic industrial relations system necessary to deal with the challenges of a global economy. The main actors within social dialogue at the enterprise level are managers, workers and unions in the enterprises (bipartism), and at the national level, representatives of the government, workers and employers (tripartism). Social dialogue is based on the competency of the participants, their interests and common long-term values. SAVPOT employs four main lines of action (i) develop and profile innovative work and dialogue at the enterprise level; (ii) develop and support social dialogue at the national level, identifying where policy interventions could assist enterprise growth and workplace improvement; (iii) dissemination of best practices and training and (iv) involvement of women in social dialogue. The ILO is organizing a regional meeting to share the experiences of Social Dialogue at the work place in the countries.

Papers for the meeting include a study on the concept, methodology and outcome of the SAVPOT project and analysis of experiences of organizational behaviour reflecting workers' involvement and participative management through work teams, change of organizational culture through improved dialogue between management and employees and human resource approach to productivity improvement at the enterprise level. A case study based on the experiences of setting up work teams in several work units of

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a Porcelain factory in Dankotuwa, Sri Lanka, the experience in Sri Lanka Telecom for change in organizational culture and study of the Maha Oya Group of Bogwantalawala plantations in using social dialogue as a means of enhancing productivity and quality of worklife have been given as instances. A study of two automobile companies in India and of their two ancillaries to identify the potential benefits that social dialogue may bring about in auto industry has been detailed to examine the strategies and mechanisms for successfully instituting social dialogue process.

## **CASE STUDIES**

### **Promoting Workplace Cooperation through Work teams at the Shop floor level- Porcelain factory at Dankotuwa :Case Study**

Substantial evidence is available on the positive impact of self managed teams and teamwork on productivity, quality and efficiency due to employee involvement and commitment generated by the successful operation of work teams. Much of the available literature deals with the outcomes of teamwork and factors affecting team effectiveness such as small size, commitment to a common purpose and performance standards, willingness for collective accountability and complementarity of skills. The process of setting up work teams involves crucial issues of implementing organizational changes. For instance, in a situation where quality circles (QCs) have been in operation with explicit support from top management, the following aspects have to be tackled. How best can top management commitment be obtained for a trade union led initiative to establish and operate work teams as a parallel mechanism at the shop floor level? How can employee resistance to the formation of work teams be overcome? What mechanisms should be established to solicit managers' support to spread the practice of work teams into different work units in the production line? The case study of a porcelain factory based on the experience of setting up work teams in its several work units shows that dialogue among different parties including top and middle managers, frontline managers, trade union leaders, supervisory staff and shop floor workers plays a decisive role in addressing the above issues.

Relative to almost all the cases cited in the literature on work teams, the measure reported in this study is a unique one as the idea of establishing work teams was mooted by the trade union leaders and not by the management. Within this context, those union leaders who promoted the idea of establishing work teams had to first initiate a dialogue with the chief executive officer (CEO) to solicit his support. Thereafter, the services of an external facilitator were obtained to provide awareness training to frontline managers, supervisors and shop floor workers on the potential benefits of teamwork.

Dankotuwa Porcelain factory, located 50 kilometers north of Colombo, manufactures a wide range of porcelain products primarily for the export market and has a sound track

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record as an export-oriented venture. The company has a workforce of 941 and a little more than a third of this are females. There are two trade unions whose membership is confined to non-executives. The concept of workplace cooperation through several mechanisms of labour management dialogue i.e collective bargaining, quality circles, meetings on production, union management and welfare, 5s practices and suggestion schemes was already in practice at the time of participating in the ILO programme of social dialogue. The management was of the view that these consultative mechanisms had also made their contribution to the track record of the company. Despite these achievements, a fresh initiative came from the Human Resources Manager with the backing of all the union leaders for strengthening labour management dialogue to find solutions to issues such as (i)the perceived inability of the existing quality circles to foster team spirit among employees, (ii)eagerness shown by the trade union representatives to receive up-to-date information on company's financial performance especially due to increasing competition in the export market and (iii)the need to further improve product quality by minimizing wastage. These issues were brought to the surface as "challenges" by a team of company delegates who participated in the first national workshop on Workplace Cooperation through Social Dialogue held in March 2000. The team comprised the Chief Executive Officer, Human Resource Manager, one of the Production Executives and three trade union representatives from the production line. An action plan was formulated and one of the key mechanisms identified for plan implementation was establishing work teams particularly in the production line work teams were perceived to be a better instrument for securing employee commitment and labour-management cooperation than the quality circles. The CEO remained noncommittal and explained the need for greater understanding among managers and other employees before work teams are established. Finally, it was decided to request an external facilitator to conduct an awareness session on the objectives and operational aspects of work teams. Though initially formation of work teams remained largely experimental, the dialogue process brought about modest improvements in the perception of both managers and union representatives; two work teams in the glazing section were established. Within a short period, the teams had achieved some degree of progress especially in handling employee grievances and training. Despite the encouraging results, the continued resistance from certain quarters as in the loading section and the need to disseminate the work team concept among a wider audience led to the necessity for establishing a clear responsibility center to address the key issues in managing the change process while expanding work teams as a core feature in the shop floor labour process. The company appointed a steering committee to further strengthen workplace cooperation activities. The main role of the committee is to monitor the effective dissemination of workplace cooperation concepts, including the concept of work teams both within and outside the company. This committee has been instrumental in persuading employees in the production line to establish two more work teams-one in the packing department and the other in the inspection department.

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An evaluation of the work teams in the glazing section showed that absenteeism was controlled and product defects were reduced. Besides, the team members had developed strong norms governing their own behavior. A comparison of characteristics showed that the work team in the glazing department has become mature and stable, that in the packing department is in transition to maturity and that in the Biscuit department is in the formative stage. Nonetheless, in their efforts toward promoting social dialogue at the shop floor level, the four work teams have justified their *raison d'être* as mechanisms of enhancing shop floor level performance through social dialogue. However, to make the work teams sustainable, the following are some of the issues to be addressed. Firstly, the dialogue should be extended to other units of the factory as well as office. Secondly, work teams, which operate mostly with the nod of a few line managers in the factory, need more top management recognition than at present. Thirdly, there is a potential conflict between quality circles, which have been in existence for quite some time with the top management support, and work teams. Although the steering committee does not see any such conflict on the assumption that work teams could focus on a broader range of issues than the quality circles, concerted effort has to be made to ensure the coexistence of the two entities with minimum conflict. In this context, it is felt that a mechanism has to be evolved to sustain work teams as a central feature of shop floor industrial relations which requires a greater dialogue between the stakeholders.

### **CHANGING ORGANIZATIONAL CULTURE THROUGH SOCIAL DIALOGUE- THE EXPERIENCE OF SRI LANKA TELECOM**

As a tool for culture change, social dialogue has several potential strengths to mitigate the undesirable effects of the traditional approaches. It is based on a strong belief in participative communication and the competence of each party in the communication process to make a distinct contribution. The case of Sri Lanka Telecom provides scope to examine the validity of this premise. Two major approaches to changing an organization culture have been identified: the top down and the bottom up. In the top down approach, which is sometimes referred to as the 'culture engineering approach', it is assumed that the management and in particular the top management of an organization has full knowledge of the desired values, norms and the behavior expected of all organizational members to achieve success. In contrast, the bottom up approach attempts to bring about culture change in a participative and interactive manner. Usually, the changes are implemented in several stages. At each stage, the role of management is to support and reinforce the change process through appropriate human resource interventions. While the bottom up approach provides greater opportunities for employee involvement in culture change, a key question that needs to be explored in some detail is the role of employer- employee dialogue in diagnosing cultural issues, and planning and implementing culture change programmes. The experience of Sri Lankan organization

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in the telecommunication sector (SLT) illustrates an attempt, amidst mounting difficulties, to change its culture through improved dialogue between management and employees.

The SLT originally a government department was privatized in 1996. The privatization process at SLT is a unique experience where the importance of labour management dialogue had been explicitly recognized. Although the transition process was a smooth one, as various phased out strategies were adopted during this period to strengthen labour management dialogue and to solicit worker cooperation. The process was not accompanied by corresponding changes in the mindset and behavior patterns of employees who continued to live with the past legacies of government bureaucratic practices. Some managers as well as some union leaders gradually began to realize that there was a strategic misfit between the business needs of the new company and the prevailing employee work ethics, which were products of a bygone era. It was against this backdrop that the company found the Social Dialogue and Workplace Cooperation Project of the ILO, a suitable launching pad to initiate a process of change aimed at transforming the culture and the industrial relations atmosphere at the SLT. The need for culture change as a major challenge of the company was identified by a joint group of management and union representatives who participated in the first ILO National Workshop on Social Dialogue held in March 2000. Of the major challenges identified by the joint management-union group. The issue of culture change was given top priority in formulating the action plans. After the workshop deliberations, two separate sessions, first with a wider group of union leaders and thereafter with several senior managers were held to secure their cooperation to expand the dialogue to a wider constituency. The national coordinator of the Social Dialogue Project in Sri Lanka facilitated both sessions. A labour relations task force comprising five senior managers and five union representatives was established in July 2000 to review progress of the action plan and to identify new themes and issues for the dialogue. However, the culture change programme moved only at a slow pace; large size of the organization, large number of occupational categories leading to multiple unionism with conflicting objectives and the existence of different subcultures are some factors which impeded the anticipated progress. Also, the taskforce operated more as a voluntary body formed through dialogue and not as one officially appointed by the top management. Since the average telecom employee was only used to official methods like circulars, the Chief Executive Officer (CEO) issued a circular granting official recognition to the taskforce. This gave a major impetus to the culture change programme at the SLT.

The experience of SLT during the initial phases illustrates four important lessons. First, it shows that the culture engineering approach, which is essentially a top to bottom one, has limited room for dialogue. Second, the experience also shows the crucial role of dialogue in building consensus on strategically important themes among different parties, sometimes having conflicting ideologies. This was best exemplified by the consent of

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the enterprise trade union representatives to work on a common agenda in spite of their ideological differences. Third, the experience provides some insight into the debate on the effectiveness of creating institutional structures to facilitate organizational change. One of the recurring themes in workplace co-operation is whether such structures should precede or follow the dialogue; the SLT experience illustrates the emergence of an appropriate structure through the dialogue. The voluntarism of managers and trade union representatives to operate it and the subsequent decision of the top management to grant legitimacy to it further justifies the efficacy of this approach over the traditional approach of creating structures as a pre-requisite for dialogue. Fourth, the experience also demonstrates that when initiating a dialogue among parties who are reluctant to communicate with each other due to adversarial relations, the external facilitator has to play a variety of roles including information sharing, awareness creation through training, trust building among the parties and even resolving potential conflict through the establishment of superordinate goals.

The empowered task force launched an intervention programme to disseminate the concept of workplace co-operation through dialogue in the regional offices as well as in the functional groups of the head office. The major activities in the intervention programme included (i) awareness creation seminars on workplace cooperation for managers and trade union leaders of the company, (ii) action oriented workshops to strengthen workplace cooperation in the regions and in different functional divisions in the head office, (iii) establishing sub committees to monitor the progress of workplace co-operation programmes in the head office and in the regions, (iv) developing selected regional telecommunication offices as model projects on workplace cooperation, (v) strengthening the grievance handling mechanism and (vi) strengthening relations with trade unions through a better dialogue. The seminars and workshops continue to be the dominant strategy in expanding social dialogue to a wider segment of the SLT staff. The workshops have provided a forum for both managers and other employees to initiate a dialogue on the desired attributes of the SLT culture. This achievement, which was a significant deviation from the culture engineering approach, was perhaps the major breakthrough in planning the intervention programme.

The development of selected regional telecommunication offices in the Uva and Sabaragamuwa Provinces as model projects of workplace cooperation was yet another innovative step in the culture change programme. These offices have become the experimental units for testing the effectiveness of new patterns of workplace relations based on the values and norms of the desired culture. The office in the provincial town of Avissawella in the Sabaragamuwa Province in particular has become a model for other offices, which are the main service delivery centres for telephone subscribers.

Since the implementation of the workplace cooperation programme, relations between managers and other employees and also among employees themselves have become

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less adversarial. This is evident from the absence of strikes and other forms of serious industrial disputes, and a drastic drop in agitational posters and scurrilous pamphlets. In the past all these were prominent features of the 'fragmented culture'. Also, a new literature on workplace co-operation has emerged. Since the introduction of the programme, almost every issue of the house journal 'Emathuma' has carried feature articles and other news items on workplace co-operation. Trade union leaders have seen this as a major deviation from the past when no space was provided in the house journal to carry any news items to depict the importance of employer-employee dialogue.

The change programme has resulted in an increasing demand for further training in workplace cooperation and other themes relating to human resource management. At the initial stage of the change intervention, there was only a lukewarm response to seminars and workshops on this theme and sections of managers and union leaders showed skepticism and even open resistance. However, the few awareness seminars and the action-oriented workshops have created a snowball effect with more requests being made by the staff in the regions and in the head office to conduct similar training. Trade union leaders have become ready to tolerate diverse views. Perhaps the most tangible outcomes of the programme have been visible improvements in interpersonal relations among the employees on the one hand and customer relations, both internal and external, on the other.

As a human resource intervention, the SLT has embarked on a long term venture to change a fragmented culture into a cohesive and integrated one with increased concern for customer relations and employee empowerment using social dialogue and workplace cooperation as the main strategy. However, for social dialogue to be an effective instrument of culture change, it must be entrenched in the top management values. In this regard, the signals so far have been salutary, as the company has explicitly recognized workplace cooperation as a means to foster an organizational climate that can support higher productivity. However, there remains a fundamental issue regarding the tempo and the focus of the change strategy relative to the one adopted in the privatization process. In the latter case, change was *transformational* involving a major re-structuring of ownership and management of the entire enterprise. The culture change programme on the other hand, has been more *incremental* than transformational with emphasis being placed on introducing new employee grievance procedures, 5S practices for better housekeeping, social functions to promote team spirit among employees and spreading the message of workplace co-operation among a wider audience through the house journal and training of staff on different themes relevant to workplace cooperation. Where the focus of change is concerned, the strategy used in the management re-structuring process was essentially a *cascading* one starting from the top and thereafter covering the entire organisation. The one that has been used for culture change is a *unit by unit* strategy in which the primary focus has been to develop different organisational units as models of the desired culture. Despite all the reported

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achievements, the experience has shown that in a large and complex organisation with different pressure groups such as the SLT, this strategy can be very time consuming. Thus there has to be a continuing dialogue between the top management and the workplace co-operation task force to find out the best options to bridge the gap between the cascading strategy of the re-structuring programme, and the unit by unit strategy of the culture change programme.

This may take several forms including the re-designing of performance appraisal systems and reward systems to reflect the values of the new culture and the re-definition of job roles to induce employees into accepting the new behavior expected from them in the new culture. The SLT is no exception to this requirement. Indeed it has initiated the process by introducing the new grievance procedure and by taking measures to revise the performance evaluation scheme.

### **ENHANCING PRODUCTIVITY AND QUALITY OF WORK LIFE THROUGH SOCIAL DIALOGUE- MAHA OYA GROUP OF THE BOGAWANTALAWA PLANTATIONS COMPANY : CASE STUDY**

The plantation sector in Sri Lanka with rigid hierarchical system of managing labour – essentially semi-feudal during colonial period- had gone through two significant changes after independence in 1948, first the nationalization in 1970s and thereafter the handing over of their management to companies formed in 1992. Nonetheless, the hierarchical system did not disappear altogether. The fact that productivity and in particular labour productivity is lower than in its neighboring country (India) and also in Kenya, a newcomer has prompted the state machinery and the companies themselves to change the system. Low productivity was attributed to factors like absenteeism, strikes, poor health and harsh working conditions and reluctance towards estate employment due to social stigma. Some research studies have shown that (i) programmes to improve health status of workers and childcare facilities in the estate sector had a positive impact on labour performance and (ii) improvements to social support systems and physical infrastructure could also have a vital role in this regard. Welfare measures apart, hierarchical system that prevailed in the estates has induced some researchers to study the link between the management's practices with respect to labour management and the worker performance; it was found that the introduction of participatory management techniques and increased commitment of workers had boosted labour productivity. Additionally, the estate worker, housing and cooperative societies introduced by the state to the plantation sector in 1993 had forged a closer link between the management and labour who felt a sense of dignity and belongingness. Thus, over a period of time, the traditional hierarchy has been gradually yielding place to greater employee consultation and participation.

A case study presented below shows the experience of a plantation group, (the Maha Oya group) managed by one of the plantation Companies (Bogawantalawa Plantations

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Company–BPL) where the management has implemented several programmes to foster labour-management cooperation to enhance both estate performance and the quality of working life of the plantation worker. The Maha Oya group is located 56 kilometers away from Colombo and its principal product is crepe rubber; the entire product is exported. Total workforce including managers and supervisors is 920 and nearly two-thirds are females. The workforce is highly unionized.

Productivity enhancement and labor management dialogue are not totally new concepts for the company, as they are among the “core values” articulated by the top management. Maha Oya group was one of the pilot units where multiple leverage points –linking several projects of the Ministry of Plantation sector, Plantation Housing Social Welfare Trust(PHSWT) and several Non-Governmental Organizations –had been established to promote participatory management practices. The social dialogue project (SAVPOT) of the ILO is the latest of them. Almost parallel to the social dialogue project, the worker education and training (WET) programs and CARE International had commenced several activities to train managers and supervisory staff in participatory management practices. Also with the intervention of the PHSWT, several committees were established to improve housing and welfare facilities of the workers. Another significant step was the formation of self managed teams (SMTs) in the tapping fields and this has been also taken almost parallel to WET and SAVPOT programmes. While each of these projects had their own share of contribution in building up participatory management, the social dialogue project was found to be an appropriate mechanism to coordinate all other factors.

The initial project (SAVPOT) meeting was held at the office of the Group General Manager which was inter alia attended by the National Project Coordinator (NPC); the meeting started with a briefing of the project objectives by NPC. Thereafter, in the meeting, through a process of brainstorming the union representatives, certain major issues of the group as a business entity were identified. After further deliberations, a consensus was reached with the union representatives to implement the following measures to improve the overall performance of the estate while attending to the welfare needs of the workforce: (i) Introduction of rain guards to the rubber trees as a means to improve worker attendance during rainy days, (ii) training of supervisory staff in the field and the factory in communication skills, (iii) re-roofing of worker dwellings on a self-help basis while the material will be provided by the management and (iv) introduction of a new production incentive scheme to enhance the individual earnings of the workers. In the first National Workshop held in March 2000 on workplace cooperation through social dialogue, it was decided after deliberations to focus on (i) introduction of rain guards, (ii) introduction of a wage system linked to latex intake, (iii) introduction of helmets and masks for factory workers and (iv) opening of bank accounts for the workers.

The progress of the work plan was reviewed at the monthly meetings held subsequently. Meanwhile, managers and trade union representatives were invited again for the second

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national workshop held in November 2000. The objectives of this workshop were to provide an opportunity for the participating companies to present the achievements as per the action plans adopted at the first national workshop and further revise them to continue the dialogue for enhanced enterprise performance. Having recognized the potential for enhancing the scope of dialogue, a revised plan focusing on the following five more issues was presented (i) supply of pipe borne water to worker dwellings, (ii) supply of electricity to worker dwellings, (iii) rehabilitation and reconstruction of estate roads, (iv) dissemination of corporate values and (v) assessment of leadership capabilities of employees through secret ballot. The second workshop found the trade union representatives to have graduated to express their views assertively displaying a sense of empowerment.

There was mixed reaction for introduction of rainguards. The process of convincing the nonconformists was slow. Using social dialogue to introduce banking practices among plantation workers was a challenge as it was an alien practice to them. The main reason that prompted the managers to introduce this item in the social dialogue agenda was to cultivate savings habits among the workforce as a basic step in ensuring social security. The initial reaction was negative. To overcome this, the management invited to a subsequent meeting, the local branch manager who explained the potential benefits of banking practices. Although the perceptions of the union did not completely change, the importance of involving third parties to sustain the dialogue on crucial issues was demonstrated. Expanding the scope of dialogue to cover corporate values, a motion was moved to develop a motto for the Maha Oya group, and union representatives were requested to come up with attractive captions. At the next meeting, after sharing each other's views, it was finally agreed on the motto: "*Strength of Maha Oya earns gold to the nation*". Management and union felt that the motto has captured two realities of working life at Maha Oya: workers' toil which in turn brings wealth to the country". This exercise, which was a unique event in the history of plantation management in Sri Lanka demonstrated the possible use of social dialogue as an instrument of tapping the creativity of workers who virtually had no opportunities to participate in such exercises due to the wide gap that existed between the "traditional estate superintendents" and themselves.

Introduction of production incentive scheme to enhance productivity and the economic wellbeing of the plantation workers has assumed special significance as it is designed to increase output per worker. When the proposal was first mooted, the trade union representatives were cautious in interpreting the benefits that will flow to the workers. After a series of awareness building programs, the benefits were explained to the trade union representatives to educate their own ranks. Since wage negotiations have a political flavour at the national level leading to road blocks here and there, the experience at Maha Oya suggests that while such negotiations can go on at national level, there is room for managers and union leaders to use, at the enterprise level, social dialogue to

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discuss compensation issues that can have immediate impact on productivity and enable wellbeing of the workers.

In conceptual terms, the focus of the theme of social dialogue and the derived benefit at the Maha Oya group can be captured as follows:

1. Introduction of rainguards
2. Introduction of new technology/productivity enhancement; opening of bank accounts-social security; reproofing of worker dwellings and provision of water and electricity
3. Employee welfare; introduction of incentive scheme-compensation practices; development of a motto-corporate values; reconstruction and rehabilitation of estate roads-infrastructure development.

The institutional framework for social dialogue and workplace co-operation, which began to evolve with the introduction of various mechanisms under SAVPOT and WET programmes, has now been consolidated at three levels namely, the Tapping Field, Division and the Group levels. At the field level, self-managed teams (SMTs) are in operation. Each team, comprising 5- 8 workers and an elected leader, is responsible for all the field operations. The SMT also serves as the immediate communication channel between the field officer and team members. Though the idea of setting up SMTs was mooted by the Senior Manager, SAVPOT was used as an organizational strategy to implement it in a more systematic manner. At the next level are Divisional Meetings. The meeting, chaired by the field officer, brings together all the workers in the division, trade union leaders representing the division and supervisors and a field officer from another Division in order to promote horizontal learning, into a common forum to discuss major operational matters relating to the division. At the apex level is the Participatory Millenium Quality Circle. Issues taken up for deliberation at this meeting include (i) sustainability of the rubber plantation (ii) controlling the cost of production (iii) out migration of workers due to low wages and (iv) planting high yielding clones to maintain a high level of land productivity

The measurement of the exact impact of social dialogue on productivity and quality of work life has to be considered in conjunction with the parallel existence of several other mechanisms. Nevertheless, the social dialogue project was seen by management as a common thread that bound together all interventions and an evaluation of its achievements or any drawbacks could reveal its effectiveness as an integrating factor in steering the consultation process.

As regards the contribution of the project in enhancing productivity and quality of worklife (QWL), an in-depth case study of one of the divisions (out of the 10 divisions forming the Maha Oya group) with a history of poor labour management relations relative to other

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divisions (Glassel division) showed improvement, as detailed herein, after introduction of project activities: (i) labour productivity (daily tapping intake) (ii) land productivity (partly due to increase in tapper intake and partly to improved field maintenance), (iii) increase in tappers income primarily due to the production incentive scheme and (iv) conducive climate to generate a higher degree of work commitment.

An evaluation carried out to measure the impact of social dialogue through a questionnaire to sample of workers showed that a substantial number were aware of the concept of social dialogue and workplace cooperation. The introduction of grassroots level mechanisms such as self-managed work teams and divisional meetings seem to have promoted regular interaction with the field officers and were instrumental in establishing workers' confidence in resolving workplace issues through dialogue. Still there was need for adequate knowledge. Although the SAVPOT core team has made a substantial effort to disseminate knowledge on the subject both within and outside the Maha Oya Group, the results revealed the need for a continuous educational process to update workers on the concepts and practices of social dialogue and workplace co-operation. This may have to go hand in hand with a programme to further improve workers' confidence in operating the self-managed teams.

### **SOCIAL DIALOGUE IN THE AUTOMOBILE INDUSTRY- CASE STUDY OF TWO AUTOMOBILE COMPANIES IN INDIA**

Social dialogue, in the industrial context, has been practiced with the objective of achieving increased productivity in the enterprise. Normally, the scope of dialogue should comprise a judicious mix of the production and productivity matters and human development approach; it also depends on the extent to which the management is willing to shed its prerogatives. A study has been conducted in two automobile companies (a two wheeler industry and four wheeler industry) and their two ancillaries with a view to examine the level of social dialogue and identify its potential benefits.

Of the two automobile companies examined, the two-wheeler company, has a workforce of 1485 including 26 female workers; the workforce was drawn from different parts of the country with a view to thwart them from unionionising. A decision was taken that workers should not have much experience and hence they were mostly fresh recruits from the Industrial Training Institutes (ITI) The salary levels are very high and almost the highest in the region and the industry; the staff remained nonunionised. The company is highly responsive to customer satisfaction. Some of the factors which contributed to the success of the company are (a) building and sustaining relationship particularly with the customers and bringing best technology to them, (b) a humble personalized approach of the founder and slow transition from a family run business to a tough professional approach, (c) working incessantly over efficiencies and (d) attractive remuneration package particularly for the workers. Some of the formal fora of dialogue presently

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include (a) stand up meetings, (b) monthly communication meetings, (c) department open house, (d) suggestion schemes, (e) kaizen, (f) quality circles (QCs,) and (g) 7 safety. These fora in the managers' perception help them in giving instructions as well as in knowing workers' view on various initiatives to facilitate smoother implementation of the management's policies. The management is proud that they have created so many avenues of dialogue and this in itself is an indication of the intent of the management to involve the workforce in running the affairs of the company. Though most of the fora function on a top-down communication basis, the fact remains that achievements of targets, improvement of quality, delivery and productivity are to some extent the contributions of these for a in that they helped in early identification of the problem.

Workers believe that their contribution is primarily due to the fact that they are paid very high salary. This coupled with the loyalty that was cultivated by earlier management practices is responsible for the success and not the dialogue process as such. That various forms of social dialogue help the management in increasing productivity and organizational performance is vouchsafed by workers who however feel that outcomes of social dialogue do not show that they are genuinely involved in the decision-making regarding work-related matters. Social dialogue in the company is a vehicle for discussions and not an institution to take decisions. The management has, it seems by design, not given the decision making power to these for a While the company is doing exceptionally well and to a large extent has achieved from the foras what it intend to achieve, social dialogue is not internalized within the employees.

The Indian company which was established in 1981 as a Government company and later became a joint venture with a foreign collaborator for the manufacture of a small car in India is now no longer a Government venture with government having only 18 percent of equity share. The company has a workforce of 2570 including 59 females. The product of the company had an instant success in the market. Over the years, the company has been able to establish a respectable brand name. From the beginning, the company followed the policy of manufacturing all the components in India and had achieved complete success by the middle of the nineties. While in the earlier years the decision was to produce only 30 percent of the product in-house and get the rest manufactured by outside vendors, this has now increased to about 90 percent. The major aspects of the management strategy were (a) following Japanese Practices of People Management including business policies of manufacture of products in India (b) continuously upgrading Technology and achieving Productivity excellence and (c) understanding the customer, its needs and integrating them within the structure of the Organization.

The company management originally began with heightened emphasis on following Japanese management practices with a human development approach. This approach has disintegrated over the years and there is now a crushing tendency to follow the

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efficiency and productivity approach with little remnants of the earlier approach. The company has a single union since inception. There have been six collective bargaining agreements. Unions' right to collectively bargain has had its ups and down. There was a persistent difference of opinion on the rate of payment of productivity linked incentive bonus; the company's contention was that productivity increase was due to its upgraded technology whereas the unions demanded that they had a share in the increased output and this inter alia led to agitations and strikes. A new union was registered representing 70 percent of the workforce and a collective bargaining agreement covering also the contentious issue of productivity linked bonus was signed in 2003. The company has gone through two phases of voluntary retirement schemes (VRS) during Sep-Oct 2001 and Nov-Dec 2003. The scheme was availed of by 1600 workers during first VRS and by 900 workers and 300 executives in the second one the retrenchment benefits were comprehensive.

There are various fora of social dialogue such as morning assembly 5 Spractices, Suggestions Scheme, Safety committee, Quality circles, Grievance Committee, Employee Relations Development Committee and Training (Sankalp). As of now, social dialogue is pursued by the management to create fora of continuous communication on work related aspects of the company. On the other hand, older workers who had joined the company in the early eighties are disgruntled with the management's approach to social dialogue. In general workers' expectation is to be treated like a human being and not as a robot or machine

Industrial relations depend on the overall perceptions of the chief executive. Initially, the management did try to generally create a spirit of working together with the involvement of workers and more appropriately the unions and the forums of QCs, suggestions scheme 5S etc continue to yield positive outcomes to the company but, the strong foundation of dialogue and representation of workforce was not continued in the earlier spirit. There were periods when collective bargaining was given an impetus with resultant gains to the workers. However, it was more a part of the appeasement policy of the top management towards unions rather than in a genuine spirit of working together. Nonetheless, the fact remains that knowledge acquired through continuous application of different fora did contribute to the achievement of efficiency and productivity in the organization.

The two automobile companies depend upon ancillaries for most of the components. Over the years, the network of vendors has increased and both the companies have been able to develop a close relationship with each other. The quality and material department officials of the companies visit the vendors as often as they can and continuously monitor their quality levels at their end. Formal level of dialogue remains at mostly monitoring the quality standards of the component parts. The two ancillaries have their own unions and their industrial relations are peaceful.

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**CONCLUSION:**

1. Organisations following human growth and development assign greater importance to intrinsic motivational properties of work itself by allowing greater employee influence, autonomy and responsibility through social dialogue.
  2. Participatory fora often fail to get institutionalized because the social dialogue forums lack the support of middle management. The top management must ensure through a proper objective feedback that the values are internalized and institutionalized by the middle management. Any good management must always ensure that there is a shared understanding and practice of the manner in which policies are being implemented.
  3. Fora of social dialogue do not prosper in isolation. Other management policies have to be of complementary nature.
  4. Peaceful industrial relations help in institutionalizing fora of social dialogue. Unions must be given legitimacy, thereby legitimizing freedom of expression and collective bargaining.
  5. Decision making authority has to be delegated down the line. Accordingly, social dialogue fora should also get vested with the decision-making authority. Economic needs of the organization must be harmonized with social needs of the employees to get voluntary involvement of workers.
  6. There is no instrument for measuring social dialogue, and the interpretation of social dialogue remains somewhat subjective. Outcomes of social dialogue are tangible as well as intangible; it may not be possible to measure the intangible. Outcomes in terms of productivity and efficiency are a result of a combination of factors including technology and policies of the management. It may not be therefore possible to single out the impact of social dialogue alone. There are however some indicators to measure social dialogue such as the philosophy of the important mentors, extent of transparency in the forums, their scope, degree of mutuality of interests being served by dialogue, freedom of association and collective bargaining, influence of social dialogue for a and styles of the managers.
  7. In the final analysis, sound labour-management relations are the key for the success of workplace dialogue and free, strong and representative workers' organizations have a major role to play in building workplace relations conducive to improvements in working conditions.
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# Workplace Dialogue in Automobile companies in India

*J S Sodhi*

## THE STUDY

This study seeks:

- To measure the level of social dialogue in the automobile industry and its first stage of supply chain, in and around Delhi;
- To identify the potential benefits of social dialogue in the auto industry and its first stage of supply chain, and then strategies, mechanisms and approaches for addressing these challenges and successfully instituting the social dialogue process; and
- To develop a mythology to measure the ILO's concept of social dialogue at an enterprise level, as well as in the first stage of the enterprise supply chain.

It is based on a study of two automobile companies near Delhi. Pseudonyms have been used for the companies according to the wishes of the management in which the study was conducted. The two companies are leaders in two wheelers and four wheelers, respectively, in India. Additionally, two ancillaries of these companies have also been studied.

An interview guide along with a questionnaire was developed for the managers and workers, respectively. The report is based on interviews with a cross-section of managers and 285 workers.

## SOCIAL DIALOGUE

### The Concept

Broadly speaking, social dialogue occurs when some kind of interaction has taken place. This interaction takes the form of Consultation with bottom of the enterprise hierarchy

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taking part in the authority and managerial functions of the enterprise and workers claiming rights to have a greater say over matters affecting their working lives. Social dialogue has also been termed as referring to influences in decision-making exerted through a process of interaction between workers and managers based upon information sharing. The degree to which this influence is exerted determines the degree of social dialogue that occurs. Subordinates exerting control and determining their work behaviour and tasks are some other ways in which the concept of social dialogue is also described. Human relations approach is yet another way of defining social dialogue.

ILO's working definition of social dialogue includes all types of negotiations, consultation or simply exchange of information between, or among, representatives of Government, Employers and Workers on issues of common interest relating to economic and social policy. Basically, this involves information sharing, exchanging views, finding solutions and implementing the solutions.

### **Objectives**

In the industrial context, efficiency or productivity of the enterprise is an important objective. Social dialogue has been practised with this objective rather than the ideological stance or the political scientists' view of the democratic rights of the enfranchised citizens. Two contrasting viewpoints are given with regard to the objectives of social dialogue. Managers, consultants and some social scientists frequently put the first view forward. This contends that social dialogue serves the pragmatic objective of improved economic performance for the organisation. However, such objectives would be achieved, the authors say, if factors like exchange rates, raw material costs, etc. were supportive. The second view is the one propagated by political scientists, i.e. employees who help to create the wealth of an organisation should have the right to be empowered and represented in the decision-making process. This view is supplemented by the argument that the worker who invests his labour in a company should at least have that much say as a shareholder who invests his capital.

One of the studies identified five basic objectives of social dialogue: improve the quality of decisions; improve communication; increase satisfaction; train subordinates; and facilitate change. These objectives were chosen with the help of a survey and tested with a sample of 1600 managers in eight countries. A large majority of managers gave the above list in order of priority.

Increased productivity or efficiency; increased worker satisfaction; reduced industrial conflict; utilization of the vast potential of human resources, use of knowledge and insights of its employees in the analysis, specification and implementation of change by utilizing a sometimes forgotten but key company resource and increased industrial democracy have also been taken as objectives of social dialogue. Industrial democracy has been

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lauded as an important objective of participation not from the ideological or political scientist's point of view. The authors argue that industrial democracy reduces alienation and brings about a feeling of involvement.

The objectives of participation are more often linked with the needs of the industry for participation. It is also argued that though social dialogue in itself may be no solution to increased workers productivity, morale, satisfaction, and harmonious industrial relations, but it does facilitate the achievement of these goals. Experience to date has shown clearly that participation has no magic. Participation does not remove problems; it simply changes their character.

### **Scope**

The scope of social dialogue depends upon whether the management is willing to shed the 'management prerogatives' and to what extent. Participatory issues cover a larger ground in situations that exhibit and view participation as an opportunity rather than a threat. It also does not come in conflict with the collective bargaining process already existing in the company.

Industrial companies that have introduced participation sometimes make a distinction between "work related" and "interest related" issues. The former is kept in the domain of social dialogue and the latter of collective bargaining. Companies also seek social dialogue on issues such as customer satisfaction, quality improvement, cycle time reduction, profit investment, development and marketing of products.

Some factors defining the objectives of social dialogue also limit its scope. The values of implementers and ability of workers are two such factors. Dialogue, when taken with the value of efficiency and productivity of enterprises limits the scope to work-related matters. On the other extreme, values of dialogue could be taken up primarily with human development orientation. If this were the case, welfare and growth of employees takes precedence over other issues. However, industrial companies cannot survive for long either with the exclusive scope of production and productivity or human development. Ideally, the scope of dialogue should comprise a judicious mix of production and productivity matters and the human development approach.

Style of the managers is also expected to determine the scope of dialogue. These styles have been described as: (a) the "tells" category in which a decision has been made and then communicated to subordinates; (b) the "sells" category in which an attempt is made to emphasize the goodness of this very decision as against others; (c) the "consults" category in which ideas are traded, advice flow is bi-directional and a decision emerges finally; and (d) the "joint decision making" category in which the issue is presented or voted upon by the group as a whole.

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The values of the implementers, the abilities of the workers and the styles of the managers notwithstanding, dialogue can take the shape of information sharing to total decision making. The scope of participation is envisaged within the following dimensions:

- No advance information is given to employees about a decision to be taken;
- Employees are informed in advance of the decision to be made;
- Employees can give their opinion about the decision to be made;
- Employees opinions are taken into account in the decision process;
- Employees have a veto either negatively by blocking a decision that has been made or positively by having to concur in advance; and
- The decision is completely in the hands of organisation members, with no distinction between managers and subordinates.

Mostly group decision-making in organisations as a means of power sharing and on participatory leadership is essentially restricted to the first four items. This form probably emerges from the human growth and development and the efficiency and productivity rationales of social dialogue.

#### RAMSON AUTOMOBILE

**Background :**The company's founder had begun, as a small businessman about 50 years ago and diversified into the present business. The company has two plants and the plant in which the study was conducted commenced production in 1995. It has collaboration with a Japanese company in which the equity share of the company and the Japanese partner is 26 per cent each and the rest by public institutions and the public.

Over the years it has achieved excellent progress. By 1999, its growth was the fastest achieved by any company of the Japanese partner. The company has been the largest manufacturer and seller of the product in the world in terms of volume for the third successive year. The financial results of the company have been equally impressive and over the last five years, the company's income has grown by a compounded annual income of about 36 per cent. The company also has as much as 48 per cent share of the product in the market and offers products, which are rated as the best in price/fuel efficiency mix among the very best in power/international styling mix. The price range of the products attracts every segment of the customer with products ranging from low to very high costs. Most of its sales are in the domestic market.

The company has a workforce of 1485 of which there are 1184 workers and the rest executives. There are 26 female workers with 10 are in the plant and the rest in the office.

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The company pursues its business with the philosophy that it must understand its customer and is highly responsive to him. The Customer Satisfaction Measurement Survey has rated the company as No.1 in terms of customer satisfaction. The company has been paying handsome dividend and according to one estimate, if an investor had bought 100 shares of the company since its inception, over the last ten years, it would have earned a 19 per cent average annual rate of return on investment through dividend income alone.

The competition is getting tougher from the national and international players. Some of these competitors are able to produce the product with cheaper costs. Company's management believes that it is a positive sign because it is good for the industry, for creating greater strengths within the company, and most of all good for the consumer. In order to meet this competition, the management has been continuously coming out with attractive new models across every segment thus ensuring a technologically superior product for the consumers in every segment. It has also been vigorously pursuing strategies to remain technologically superior, seeking continuous improvements in quality, processes, number of rejections, predisposal inspections, costs etc. The company also operates in the market with low prices and makes profit on the volumes.

### **Management Strategies**

As part of a deliberate strategy, the workers in the plant were recruited from different parts of the country. Furthermore, a decision was taken that they should not have much experience and, therefore, mostly were fresh recruits from ITIs. This approach was followed to thwart workers' efforts to unite and form a union. The management also felt that this would help them in building the culture of their choice rather than being forced by a homogenous pressure group among the workers. This objective seems to have been achieved as the plant has remained non-unionized and the management is very sensitive to the fact that the status quo may not be disturbed. Workers also feel that they have come here from far off places to work and not get into disruptive activities. Their primary concern is to earn higher money through the job. The management is taking care of this need of theirs. As a result, the attrition rate among workers is negligible.

The salary levels are very high—almost the highest in the region and the industry. The average cost to the company (CTC) of a worker is over Rs. twenty thousand per month. This includes production incentive, which is more than 25 per cent of the CTC. A regular benchmarking exercise is undertaken to maintain superiority of remuneration to the workers and revisions take place once in three years.

In the initial years, the approach of management was a mix of the Japanese style of management and family-run business. The Japanese partners inculcated the practices of 5S, Kaizen, Just in Time as well as carefully looking after technology and quality. The

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Japanese also introduced the concept of morning prayers, a morning assembly, same uniform, cleanliness of the factory along with other measures. Workers and managers now wear the same uniform and in the beginning ate in the same canteen. Now, the senior managers and above have a separate room within the large canteen. The food is, by and large, the same (with an additional soup) but attendants help the senior managers and the room is air-conditioned.

The patriarch of the family (the Indian partner) had a soft paternalistic approach to managing the company. It was more personalized in the formative years with the Lala ji taking care of the needs of the workers in the manner in which he thought best. The patriarch was highly concerned about his own understanding and knowledge of various effective ways of management. He was always in search of new ideas. Relationship building was extremely dear to him and was something that came naturally. As a result, the relationships with the Japanese partner, the vendors and others were always excellent. He would not shy away from visiting people at far away places in India and abroad to get new ideas and build personalized relations. He also kept a close first-hand contact with his staff, including workers. In his paternal relationships, he would often go to the weddings of employees and their wards as well as invite employees in some family functions and take personal care of them. The patriarch would keep his cool even in adversity and was always helpful to even those who did not want to do business with him. The personalized relationship extended to giving special facilities (like extended leave) and amenities in case of adversity to the employees.

His elder son who passed away some time back, was also involved in running the affairs of his company along with him. He followed the same transparent and personalized management style. Workers were very fond of him too as he kept a close contact with them and always helped them at times of need. Three years ago, the reigns of the company were handed over to the younger son who began adopting a professional approach in managing the enterprise. A large number of senior managers were sacked and the policies were reoriented to meet the demands of stiff competition. Whereas the earlier approach was informal, his approach is formal with well-laid out structures and the boss-subordinate relationships. Completion of tough targets is expected to come what may.

This management strategy has been mixed with a philosophy of selectively giving gifts and training. Generous gifts of CD changer, TV, fridge, washing machines, cameras, etc were given on different festivals to the workers. On one occasion, the MD visited Disneyland and liked a particular show and then decided to bring it to India, despite a heavy cost, to be seen by all the workers. On another occasion, senior officials were taken on a holiday to Europe after the company achieved the number one position in terms of the sale of the manufactured goods. The MD took personal care of everyone during the trip. Even a lecture was arranged in Mount View in Switzerland by a renowned

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Professor of a US university with the message that the company must be on top of the world.

Workers and managers are encouraged to maintain a higher standard of living. Training programmes are organized for workers on improving their communication skills and how to gel better with each other. The idea is that company's employees should be seen in society to belong to a company that is doing very well. A family day is organized in which seniors are encouraged to mix with workers and their families. Cricket tournaments are organized where workers also participate enthusiastically. Company employees are sent to tournaments, which it sponsors. An Asha Bhonsle night was arranged for workers last year. IT kiosks have been put up in the factory premises where workers can log in and get information about their attendance, leave, salary, etc. ATMs have been set up and all workers are given cards. Workers are also helped to buy computers at home. A family visit to the company is allowed once a week. In case of extreme medical emergency or death, the management helps in every manner. Managers are given high value cars. Campus recruitment of executives takes place and the MD believes that the company's image should be such that management institutes should vie with each other to place their students in the company. Summer trainees are especially picked up by the MD himself and every attempt is made to maintain objectivity.

Tough managerial practices, however, are the norm rather than the exception. For example, half-day leave is deducted if to worker comes late for one minute. There is no transport facility given by the management. Targets are highly stretched and the workers have to achieve them come what may. If they have to participate in any formal meeting during working hours, they are not expected to compromise on production targets. Also, if the rate of rejection in any department is high for what-so-ever reason, they have to produce more to maintain the expected daily production levels.

Succinctly, the following factors have contributed to the success of the company:

- Building and sustaining relationships particularly with the customer;
  - Working incessantly over efficiencies;
  - Bringing best technology for the customer;
  - A humble personalized approach of the founder;
  - Slow transition from a family-run business to a tough professional approach; and
  - Attractive remuneration package, particularly for the workers.
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## Social Dialogue

A glimpse of social dialogue may be seen by the management styles of three persons in charge of the company since its inception. The informal approach of dialogue of the earlier MDs was very effective till the present MD took over. Workers and managers perceptions were highly positive and they felt that it was not necessarily the formal forums that brought the spirit of true dialogue but the earlier management approach. The professional approach, however, has not been working effectively. At least the perceptions of the management and the workers were not positive regarding their involvement, role clarity, decision-making authority, merit-reward system and accountability. On the other hand, there is a role confusion and erosion. Often the seniors don't consult the concerned functionary and pass on orders directly to their staff who, in turn, look at opportunities to establish direct contact with the boss's boss. The workers issues, particularly the personal ones, remained unresolved. Absenteeism among workers is high. Unplanned leave is high and their commitment to the company is not exactly low particularly because they are getting very high salaries. Decision making is centralized at the top. There is less autonomy, people take undue advantage of personalised relations with seniors. Inter-departmental coordination is not good. Communication is top down and selective.

Some of the formal forums of dialogue presently in place the company are:

**Standup Meetings:** This meeting takes place every morning and with everyone in the company. The meeting with the workers takes place along with their sectional head in the plants. The HODs hold meetings with their staff and the officers and the head of the plant hold meetings with all the senior managers. The basic purpose of these meetings is to take stock of the previous day in the context of production, quality, rejections and any other matter as well as to plan for the day and listen to any issue which the workers wish to raise, mostly in matters related to achievement of the targets. Sometimes the occasion is also used to exchange pleasantries and wishing employees on their birthdays and other social occasions. The meeting lasts for about 10-15 minutes.

Additionally, section heads, meet at a particular time of the day, without workers, to discuss some of the same issues. An hour later, the HODs meet and discuss similar issues. The information thus gathered is passed on to the head of the plant on a daily basis for final decision and action.

**Monthly Communication Meetings:** There is no fixed agenda for the meeting and it takes place with all the employees including the workers. The head of the plant uses this occasion to speak to the workers about the company, its achievements, problems and the general direction in which he sees the company moving during the next month. The issues which normally come up for communication by the management relate to production, quality, defects, market scenario, the ensuing competition and, to a very

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limited extent, appreciation and reward for the workers who have done good work in Quality Circles, Suggestion Schemes, 7S, etc. The new head of the plant encourages workers to come out with their problems or concerns and passes on the message that they should have no fear as they may treat him as their friend rather than a senior functionary of the company. In effect, however, the workers feel that no purpose will be served by coming out with their personal grievances as everyone in the organisation expects them to raise only work-related issues. Such meetings usually last for about 90 minutes.

**Department Open House:** This meeting is held with each department once in three months and is attended by the workers as well as the representatives of the management of the plant. Workers are asked to submit their suggestions in advance. They have the option to remain anonymous. The Human Resource department compiles these suggestions and prepares answers with the help of the respective departments. In the Open House, questions raised by the workers are responded to. Workers are free to raise any other issue also in the meeting. Some of the issues, which the workers have raised in the past, relate to the facility of transport to and from the company premises, snacks, food menu, etc. Most other issues are work related.

**Suggestion Scheme:** It is compulsory for every employee to give suggestions. On an average, the management gets about six suggestions per worker in a year and all suggestions relating to production, quality and other improvements are accepted and implemented. Suggestions that relate to employees' interests are noted and workers are explained that it is not possible to give them as part of the management policy. At times, the departmental head would simply say that they would not be acceptable to the senior management. Almost two-thirds of the suggestions are accepted. Workers, when contacted, stated that over the years, they have come to know that suggestions relating to improvements of work would be appreciated by the management and, therefore, there is no point in giving suggestions on interest-related issues or those management practices adversely impinging the workers.

**Kaizen:** This activity is practised across the company to achieve improvements in workplace like material handling, tool change and placement of materials so that it takes less time, reduces fatigue through simplification of workers' motions as well as achieving lesser breakdowns. If the occurrence of breakdowns is quite frequent than the decision can be taken to change the system, or its design or the method. Workers, along with their sectional heads, identify the problem and the steps for improvement. However, it is the responsibility of the supervisor to understand where the worker is losing his time, stamina, etc. The sectional heads take up the issue with the senior levels. Decision-making authority is with the senior management but also depends upon the severity of the problem and the costs involved. The second major area that comes in the purview of Kaizen is the focused project on Total Profit Management (TPM) known as Kobetsu-

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Kaizen. The process involved is to select equipment, which is a bottleneck or has frequent breakdowns. The main objective here is to achieve overall equipment efficiency. The selection of the equipment is largely by the management; TPM Circles are formed in which workers from different departments known as Cross Functional Teams (CFTs) form a team. The first task of the CFT is to identify losses on the identified projects. In the past, such losses have been due to breakdowns, rejection, reworks, speed losses, tool change time, set up change time, etc. At the completion of the project, members make a presentation. Once the report is submitted, it is sent for approval to the senior management before implementation. Workers and the managers are of the opinion that almost half of the submitted reports are accepted. Implementation is usually by the management officials and workers are hardly involved in the process.

**Quality Circles (QCs):** All workers must become members of the QCs. At present, there were 147 such QCs in existence. These QCs select their own leader and deputy leader. As per the design, each member, on rotation, becomes the leader of a QC at one point or the other. The supervisor in which workers with different abilities are selected selects QC members. Generally, a QC consists of 6-8 members and has an equal proportion of workers with very good, good and average ability. The group meets once in a week for one hour in which half of the time is that of the company and the other half immediately after the shift of the worker. One QC usually submits its report in six months. They take up subjects that impinge on productivity, warranty costs, rejections, quality, processing and casting defects. The monthly steering committee of Heads of Departments takes stock of the progress of QCs.

**Safety:** The seven committees are known as Santushti (Canteen committee), Abhivyakti (cultural activities), Kuber (tax planning, investments, thrifts), Jagriti (encourage creativity), Khel (sports) and Adhyan (library committee). About 80 per cent of the members are from the workers and represent various departments. Managers head the committees and meetings are organised at frequent intervals, usually once a month. Some committees are tightly formalised and a yearly schedule of their meetings has already been drawn up and conveyed to the section in charge. Workers attendance is compulsory now. The management has conveyed to the HODs that at least three-fourth of the workers must be members on any one of the committees of 7S.

The Abhivyakti committee gives workers a chance to be part of the deliberations on how to celebrate cultural, religious and Independence Day functions. Sports committees organize tournaments and cricket is a favorite sport among the employees. Jagriti committee organizes debates, quizzes, extempore speech competitions and interactive sessions on improving technical quality, safety, resource conservation, along with other areas in which the employees may contribute to the company and society in general. The committees have recommendatory powers. Decisions taken by the committees are forwarded to the senior management up to the top of the hierarchy, i.e. the head of

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the plant who is empowered to take the decision. Decisions taken are based on their utility to the company and the cost involved in the same.

### **Managers Perception and Views on the Social Dialogue**

Social dialogue is seen as a way of involving employees in the directions that the company wants to take. This medium helps the company in communicating their concerns of achieving the challenges of cost reduction, quality, productivity, achievement of production targets, etc. These forums help the management in giving instructions as well as knowing the workers' mind on various initiatives to facilitate smoother implementation of management policies.

### **Workers' Expectations of Social Dialogue**

Some of the expectations are as follows:

- The workers' views are also sought by the company, which gives a psychological boost;
- Management lends an ear to work-place problems at such for a;
- Understand management perspective of doing things; and
- An attempt to make the policies more objective.

### **Management's Expectations of Social Dialogue**

The company's past philosophy highlighted that the grass-root level worker is the most important person in the organisation and unless his suggestions are sought the company can not achieve success in this medium. This philosophy so far determined the management's expectations. Now some of the management's expectations are as follows:

- It is a way of communicating the company's message;
- Seeking solution of everyday problems;
- Seeking continuous improvements; and
- Improving productivity and efficiencies, reducing costs, defects, rejections, etc.

Some of the important issues being dealt through social dialogue are:

- Everyday problems and daily schedule of work;
  - Methods of seeking quality improvements, reducing costs and unplanned absenteeism; and
  - Understanding the management's perspective of doing things and therefore seeking better compliance.
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### **Measurement of the Success of Social Dialogue**

Many of the managers were of the opinion that it may not be possible to measure the success of dialogue, as these are not a mere reflection of activities but something which exists in essence. The management was, however, clear that we would consider social dialogue a success only if the workers perceive the company's work as their work.

Some other tangible ways to measure the success of social dialogue as highlighted by the managers are:

- In case the employees understand the pressures of cost, quality, competition, etc for the company and achieve optimally the productivity levels;
- In case a feeling has been created amongst the employees of what they are contributing in comparison to so much which the company gives;
- The management is able to communicate their concerns effectively;
- The management listens to the day-to-day problems of the workers in achievement of targets;
- Indiscipline, absenteeism, grievances, etc. are reduced;
- In case a conducive cultural environment has been created;
- Quality and quantity of suggestions is good and the management is implementing them; and
- An open environment has been created.

### **Outcomes of Social Dialogue**

- Social dialogue forums provide a forum of direct involvement of workers;
  - According to the management majority of the workers willingly take part in various forums and they do so with full cooperation, sincerity, regularity, etc.;
  - The management takes pride in the fact that they have created so many avenues of dialogue and this itself is an indication of the intent of the management to involve the workforce in running the affairs of the company;
  - These forums achieve a high degree of success in identifying the work-related problem areas;
  - Dialogue forums have created eagerness amongst workers to achieve company targets. There is enthusiasm amongst the workers in retaining the number one position of the company in terms of volumes being extra careful about quality, reducing rejections, achievement of targets, etc.
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- These forums have led to the development of a longer lasting bond between the workers and the management;
- Creation of a cultural identity with a diversified group of workers;
- Developing a bond with the workers' families;
- Achievement of stretched targets; and
- Openness with everyone.

### **Problems of Social Dialogue**

The existence of a large number of forums gives the message that the intent of the management is to seek participation of workers. Some of the following is pertinent in this context:

- Participation is largely being perceived in running the affairs of the company to make it better, efficient and cost effective. Workers are forever asking what is there for me in these forums. Personal issues like non-provision of transport to and from office, bad behaviour of some of the bosses, non responsiveness of HR despite the existence of an open window concept where the employee can put up any problem or suggestion, denying leave when required, etc. are taken up casually by the management;
  - The decision-making authority of the members of various forums is nil. Even the management representatives have to put up every decision to the higher management who put it up to the highest management;
  - Members of the management often push the agenda as their seniors give it to them. The discussion, therefore, does not always take place in the manner in which the workers see the issues and would like to be discussed;
  - Workers, over the years, are also very clear of this style of working of the forums and, therefore, play to the gallery rather than debating intensely the issues;
  - Workers perceive management to be indecisive on matter of discipline, accountability, etc. In their opinion these issues are not being perilously addressed in the forums of social dialogue and, therefore, they are also losing interest in the forums;
  - Members of most of the forums are not chosen on a voluntary basis. Everyone must be a member of the QC by order of the management. Every employee must attend the morning meetings. Every worker must give suggestions; attend the open house, departmental meetings, be a part of 5S and Kaizen. Except, therefore, the 7S committees where participation is voluntary, all other committees are of compulsory nature. This makes participation another chore that must be followed by the workers as part of their job;
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- Workers are also expected to complete their production targets (which are highly stretched) along with attending all these meetings. Workers opined that given a choice we would rather concentrate on completing our production targets and only participate in the forums in which we have an interest;
- In the typical hierarchical traditions, most of the forums have the task leader as the head of the group irrespective of whether he is most capable or the plant levels workers may have more experience of first-hand reality. It is a hindrance to true participation;
- Workers in a large number of forums attend the meeting although they do not even understand the overall objectives which the committees and activities are expected to achieve. Management expectation becomes the principal reason for being a part of the forums; and
- Participation of members in many forums has been low. This is because the HODs do not always spare the workers for the meetings. Workers also excuse themselves citing urgent work as the reason and often end up making their officers believe them. The important thing is that their willingness and motivation to participate in most of the forums is low.

### **Suggestions**

- A thorough review of the utility and effectiveness of the existing forums is required. Presently, given the hierarchy-based structure of the forums, no one wishes to take the lead in discussing this issue. Management may seek anonymous feedback from the workers on effectiveness of the forums;
  - Most of the forums achieve top-down communication. Seniors either convey their message or at times ask others to identify the issues. Workers have resigned to the fact that these forums are not meant for bottom-up communication. They should, in fact, be asked to lead the discussion rather than the other way round;
  - This year the schedules of some of the 7S committees have been drawn in advance and workers' presence is made compulsory. Additional efforts are required to create a greater interest in the forums by the workers;
  - The objectives of the forums must be made known to the members and reviewed periodically;
  - Workers' stakes in the forums must be built. Find out an answer to the workers' perception of what is there for me;
  - Emphasis of most of these forums is on looking at problems; yesterday's problems, defects, absenteeism, etc. In view of this emphasis, some of the forums have remained fire-fighting forums. These forums need to devote more
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time on finding out ways of reducing tomorrow's problems rather than identifying yesterday's problems. This will require members of the forums to think differently and in a proactive manner;

- Motivation of members to participate enthusiastically in the forums needs to be improved. One way is to make participation voluntary with built in decision-making and financial powers. At present, even after spending six months in a QC and preparing a report as well as making a presentation, workers are not sure whether a positive decision will be taken or who is authorized to take the decision;
- Management styles, practices, hierarchy consciousness and managers' reluctance to convey the problems of these forums to their seniors needs to be changed. Measures to build trust and credibility, the management walking the talk and a change in the management style will help in the effectiveness of social dialogue; and
- Senior management has to be perceived as fair. They expect cost consciousness but according to the workers and some of the managers they are themselves not following it.

The analysis of the management styles and social forum highlight the informal management styles of the patriarch and his elder son in building the foundations of a participatory system. The outcomes were highly positive and the relationships developed by them with everyone, including the workers, have had very positive outcomes. The company's present success is attributed to existing of forums of social dialogue.

Workers, however, believe that our contribution is primarily due to the fact that we are paid a very high salary. This coupled with the loyalty that was cultivated by earlier management practices is responsible for the success and not the dialogue process as such. However, some other achievements of targets, improvements in quality, delivery, and productivity have been the main advantages of the forums as it has helped in early identification of the problem.

The management claims that these forums have created an open culture but is not negated by the workers' responses.

**Involvement of Families:** Families of the workers are involved in a highly limited manner. Once a week, they are allowed a factory visit. Every Sunday, the spouse of the workers can visit a doctor, if need be, in the factory premises. There is an annual day celebration in which families are also invited. A Grahani (spouse) vikas training programme is organised. It is of two days' duration and the attempt is to cover all the spouses of the workers. Manager's contact with the families of the workers otherwise is almost nil except in case of medical emergency and usually at the instance of the senior management.

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**Involvement of Women in the Process of Social Dialogue:** To begin with, there are very few women amongst the workers. Most of them are in the staff. However, they are not directly involved in the process of dialogue nor are members of the teams.

### **Workers' Responses**

The responses of the workers were sought on a structured questionnaire on the following dimensions.

#### *Attitudes Towards Social Dialogue*

(Attitudes Towards Competence of an Average employee, Delegation and Decision-Making, Equality, Partnership and Collectivism, Motivation of an Average Employee to Participate)

#### *Organization Climate*

(Warmth and Support, Communication, Team Spirit and Reward)

#### *Industrial Relations climate*

(Dialogue, extent of labour management, cooperation, apathy, mutual respect, trust and fairness, hostility/aggression)

#### *Outcomes of social dialogue*

(General, industrial relations, productivity/performance, welfare)

#### *Behavioural Outcomes of social dialogue*

(Satisfaction of higher order needs, positive management practices, decision, quality, improved atmosphere, satisfaction with social dialogue)

**Attitudes Towards Social Dialogue:** According to the workers, the management was not holding a very positive opinion about the workers' competence, ability of an average employee to productively participate in the affairs of the organization. Over two-thirds of the workers felt so. The responses of the rest were, however, positive. Similarly, the workers also felt that the same is true also of the middle managers. They were, however, of the opinion that there is willingness in an average employee to participate and contribute towards organizational objectives also of the opinion that we can meaningfully contribute in social dialogue.

There is little delegation of work. Decisions are not necessarily made through social dialogue. Only about one-third of the workers felt that social dialogue is a vehicle of taking decisions regarding work. The management makes other decisions regarding technology, transfers, etc.

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About one-third of the workers felt that there is equality, partnership and collectivism. Most amongst them were of the opinion that there is a culture of holding meetings to discuss work-related matters and respecting workers suggestions. However, workers did believe that there is a belief that employees must be consulted for the welfare of the company as well as the fact that group decision-making is the norm in the enterprise.

**Organizational Climate:** The workers felt that there is warmth and support between the management as seen through friendship, knowing each other well and according help in times of need. However, their responses were not positive towards joint resolution of conflicts. Actually, most of them felt that despite the fact that they did not adopt a confrontationist approach even in the face of differences in the manner in which the company goes about bulldozing the workers into the fulfillment of the stretched targets along with not responding positively to their personal issues, the management had been asked by the top management to manage in this manner and therefore despite differences maintained cordial relations.

Communication is perceived to be top down with the management belabouring day in and out the policies and goals of the organization. The formal forums also reinforce this viewpoint. About one-third of the workers felt that the management shows willingness to listen to the employees. Most amongst the rest felt otherwise. The workers also explained that the top management does not necessarily stop the managers from lending an ear to the employees yet does not force them either. Individual managers, therefore, show different styles with majority going through the motions of listening sincerely to the employees.

The existence of a large number of forums would make anyone believe that there is the existence of a strong team spirit between the members of various forums. The responses of the workers, however, do not authenticate this. Almost half the workers felt that people are rewarded in proportion to their achievements. Punishments are rare in the organization.

**Industrial Relations:** the company does not have a union and therefore no collective issues come up. IR situation in that sense is overtly peaceful as there has been no strike or disruption by the workers for about ten years now.

**Mutual Trust:** Employee's responses were divided over mutual trust and fairness in consultations. It was largely because the non-work issues are never given any importance in the dialogue process.

**Outcomes:** The workers believe that various forums of social dialogue definitely help the management in increasing productivity and organizational performance. There is also a greater awareness among workers regarding a large number of organizational

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issues. On matters of welfare of the workers and the role of social dialogue, the workers felt that the forums have not at all helped in this front. Social dialogue is once again seen as a vehicle for discussions and not an institution to take decisions

Behaviourial outcomes of social dialogue do not show that workers feel that they are genuinely involved in decision-making regarding work related matters. Their job satisfaction is higher and they feel that the company pays us well and we have come to work and are not necessarily interested in many other matters related to the company. The management is aware of the wishes and complaints of the workers but they do not necessarily look after these interests. They do, however, tend to utilize employees abilities and experience in involving them in a variety of problem-solving exercises. The management also, through these forums, asks the workers about the manner in which issues are to be sorted out. Normally the decisions are taken as per the orders of the senior management.

### **Summing up**

It may be stated that the edifice of social dialogue built by the company and run smoothly till now is in need of a revamp. However, if the management thinks that it is a vehicle for improving productivity and organizational performance, they have achieved their objective. It is the social scientists that tend to put value judgments of what should be the objective of social dialogue. In this case, it is a vehicle of top-down communication, involving the workers in the problem-solving exercises and seeking their suggestions in improving work and its operations. The management has, it seems by design, not given the decision-making power to these forums. Workers' ability to influence the decisions through these forums is also dependent upon the utility of the suggestions in improving the workplace for achievement of targets.

Yet the existence of forums have given rise to the feeling among the workers that the management is not giving them enough opportunities either to influence the decisions or make decisions. They have nonetheless much less complaints besides stating their viewpoints. Also most of them would like to complete their targets according to the expectations as they do not want to lose such a lucrative job for which they have come from different parts of the country and would one day like to go back with some money. The initial problems usually associated with the first generation workers have also subsided in the other plant and the union is able to call the shots.

The moot point is that the company is doing exceptionally well and to a large extent it has achieved from the forums what it intended to achieve. The fact, however, remains that social dialogue is not internalized within the employees.

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## INDIAN COMPANY

**Background:** The company was formally established as a Government company in February 1981. Subsequently, the Government invited letters of intent from companies outside India. After careful scrutiny, the management entered into a memorandum of agreement with a foreign collaborator. A joint venture agreement was signed with them in October 1982 for the manufacture of a small car in India. The joint venture comprised of equity of 26 per cent with the option of increasing it further. It took about 18 months for the assembly line to be commissioned and the first sale was made on December 14, 1983. The foreign collaborator now has 50 per cent share of the equity, which it plans to increase by 70 per cent shortly. In effect, therefore, the company is no more a Government venture. The Government of India has 18 per cent equity share and the rest is with the public and the financial sector institutions.

The product of the company had an instant success in the market. As a result the company had to continuously raise its capacity even in the initial years. In a market scenario, where the total sales of the product in the country were 40,000 units per year, the company planned to reach one lakh per year in five years.

The nineties, and more particularly the latter half of the decade, brought competition and the management created a number of new products. In the meanwhile, the company established an extensive network of sales and service centers extending up to the farthest corners of the vast country.

A new plant in the late nineties raised plant capacity to 3.5 lakh units per annum. New brands were launched in the middle and higher segments. Despite tough competition in this segment, the company has done well in most of the years except in 2001-02 when the company incurred a loss of Rs 2,690 million. However, the turn-around was quick and the company incurred a profit next year. In 2003-04, the company recorded its highest sale of 4.72 lakh finished products in the domestic and export markets which resulted in the gross sales revenue of Rs 112,840 million—a growth of 25.8 per cent over 2002-03. It was the highest growth in the last seven years. The return on investment was also much higher and earnings per-share (EPS) more than tripled from Rs 5.14 in 2002-03 to Rs 18.77 in 2003-04. The company won the JD Power Customer Satisfaction award in 2001 and 2002. In 2003, it won the best Employee Sales Satisfaction Award instituted by Hewett Associates.

The company has an employee strength of 2,570 out of which 2,017 are workers and the rest executives. It has 59 female workers and 15 out of them are working directly in the plant. The company has various models and has a market share of 51.4 per cent in 2003-04.

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Over the years, the company has been able to establish a respectable brand name. It has, from the very beginning, followed the policy of manufacturing all the components in India and had achieved complete success by the middle of the nineties. Another important policy decision in the early years was to produce only 30 per cent of the product in-house and to get the rest manufactured by outside vendors. This has now increased to about 90 per cent.

### **Management Strategies**

The three major cornerstones of the Management's strategies were as follows:

- Following Japanese practices of people management including business policies of manufacture of products in India, outsourcing, etc.;
- Continuously upgrading technology and achieving productivity excellence; and
- Understanding the customer, his needs and integrating them within the structure of the Organization.

### **Management Strategy**

The company's management had begun with a heightened emphasis on following Japanese management practices. In the initial years, a large number of workers were sent to Japan for a period of six months. The practice among the Japanese management laid great emphasis on the human resource development approach which was used as a means of achieving efficiency and productivity. This approach has disintegrated over the years and for the last five years, in particular, there is a crushing tendency to follow the efficiency and productivity approach with little remnants of the earlier approach. While several features of this approach shall emerge in the subsequent sections, it is important to capture the details of the earlier approach and styles of management. These are as follows:

- Building a distinctive organization culture was and continued for a long time to be one of the most challenging tasks of the management. By 'organizational culture' is meant organizational philosophy, which guides the actions and behavioural patterns of the members. It also defines, though implicitly, what its environment can expect from the organization. Hence, the necessity of a work culture which, while appealing to those within, also satisfies the expectations of those outside the organizational environment.
  - Compliance of work culture with organizational objectives was considered very essential. In order that the employees comply with the basic objectives adopted by the company since its inception, the management adopted policies that fostered efficiency, team spirit and "we" feeling;
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- The management's attempts in the first ten years have been directed towards creating an atmosphere where each member respected his fellow-workers' opinion. Now the company's growth is the most important part of the management's strategy;
  - Initially, there were a lot of attempts to create an environment of mutuality and trust. Healthy competition between the workers was encouraged. The value of individual initiative and performance was not de-emphasized, but the importance of teamwork in performing given tasks was communicated to all employees;
  - The team-building process has been given practical shape as Quality Circle (QC) activities have been encouraged in all departments. The QC creates self-awareness and self-reliance among workers and a sense of total participation in the organization's operation;
  - Each and every member of the company was expected to discipline his/her mind to the values of service and quality that the company was expected to adopt as its golden motto. To this end, the management steered themselves against any compromises on quality and ensure that 3K, which means that what has been decided must be followed exactly according to the standards, is followed. Employees were also encouraged to practice 3G that required that in case of any abnormality all the concerned members should actually go to the place where the problem has occurred, see the actual thing and take realistic action to solve the problem;
  - According to the management, cleanliness is considered an essential ingredient of quality. Their attention has been directed towards cleanliness whether in work or environment. Since the management and employees enjoy working in a clean environment, everyone contributes towards creating it.
  - In the initial years a feeling was inculcated among the employees that the company belongs to them and should be treated as their own personal property. All this protects the employees from accidents, damage to health or even loss of life. In a factory, various problems occur due to the 3Ms, i.e. *Muri* (Inconvenience), *Muda* (Wastage) and *Mura* (Inconsistency). By improving the method of work, machine layout and human relationships, the management tried to reduce the 3Ms. 5S is also undertaken during daily operations in the work place, i.e. *Seri* (Proper Selection), *Seiton* (Arrangement), *Seiso* (Cleaning), *Seiketsu* (Cleanliness) and *Shitsuke* (Discipline).
  - It has been believed that a sense of discipline must start with basic courtesies which we most often over look. Salutations are the beginning of social intercourse and it is only with their repetition that intimacy gradually deepens and human relations improve. Expectation of courtesy from others definitely demands our giving it to them. Self-discipline also takes us a long way. Employees are expected
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to start with basic items like reporting for work slightly earlier instead of just in time. This enables them to make sufficient work preparations for the day.

- Work can be superior qualitatively only when it has been planned. Hence, management believed that it is more important to plan and achieve rather than merely make an attempt and finally achieve nothing. It is kept in mind that result alone does not always matter in the achievement of a task. More important is the 'performance' or effort that made the achievement possible. Therefore, a 'doer' is as much encouraged as an 'achiever' of the task. Adequate authority and freedom of work was given to encourage creativity and innovativeness in each employee, so that he/she has a sense of involvement in the running of the company. All persons in task groups were encouraged to generate ideas at regular departmental meetings.
- The management made efforts to see that planning of work has incorporated in it the values of economy. Before indulging in any extravagance – be it of time, money or effort – the question should always be posed: "Do we really need to do this?" The tasks have been directed towards cost-effectiveness of equating company spending to the employees own personal spending and hence they are expected to refrain from spending more than is necessary.
- The true test of the company's potential lies in completing a task in the minimum available time. Economizing on time, then, becomes as important as economizing on other aspects. Planning the routine and preparing work schedules is of great assistance. Economizing on manpower has been equally essential. Tasks are allocated in such a manner that the minimum numbers are required for their completion. However, the objectives of such a management strategy is to make the best possible use of human potential without creating a sense of exploitation or misuse.

### **Industrial Relations**

The company has a single union since inception. All employees up to L-7 are unionized. In fact, as part of the progressive management's policies in the early years, the company's management led by the first Managing Director had encouraged unionization of labour in the company. The MD was from a public sector undertaking, and he recruited some of the union leaders of that company in the Indian company. The first union was formed by these leaders with an affiliation to Indian National Trade Union Congress (INTUC). Subsequently, this union could not win the support of all the workers. About 20 per cent workers formed another union with the support of Hind Mazdoor Sangh (HMS). However, till 1986, the erstwhile union continued its operation as a recognized union, although splinter groups along with those who were with the Bhartiya Mazdoor Sangh (BMS) fomented trouble in the factory resulting in tensions on the industrial relations front. The

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INTUC union organized a two-day strike in 1986 and 1987. Along with this, *dharnas* (sit ins) outside the factory gate were organized disrupting the entry and exit of workers and officers.

At this time, the management intervened and persuaded—through education and consultations—all the workers to unite under the banner of a single independent union without seeking affiliation with any political party or union. The majority of the workers agreed to the management's demand. The management also agreed to hold free and fair elections within the premises of the factory at their expense. Elaborate machinery was created for the same and elections were held and the majority union was given the recognized status. Since then, the process is repeated every three years. From 1995 onwards, it was decided, between the management and the unions, to hold elections every two years. Contrary to the popular belief, electioneering has not affected either the working environment or resulted in politicking. So far, elections were held during lean periods and generally on a Saturday. The General Secretary and the President of the union have been elected on company basis. Other office-bearers are selected on divisional basis and each division sends one representative.

The whole exercise has, however, not been smooth, particularly in the initial years. Some members of the INTUC and bulk of the HMS unions attempted to create trouble. First, the office-bearers of the INTUC union demanded that they would appoint a returning officer of their choice and when this was acceded to, the officer left the election process during the second half of the Election Day. Gate meetings were held; members of Parliament were approached who extended support to the union members. Workers applied to the Registrar of Trade Unions for registering their union. An appeal was also made to the High Court. As a consequence of all this, workers observed a two-day strike in 1986 that was led by a handful of leaders. The management acted tough, suspending a number of activists, thus giving the message to agitators. The management even refused to talk to them during the time the leaders were agitating. Finally, workers accepted having an internal union, thus yielding reluctantly to the management's demand of de-affiliation of their trade union. The management also persuaded the unions to change their constitution by incorporating fresh clauses which prohibited outsiders as union leaders, no political affiliation, resort to go slow, gherao or other negative practices along with clauses of union's cooperation with the management to develop a positive work culture and improve productivity.

In 1990, the then Janata government in Haryana attempted its best to prop up an outside union in the factory with a political affiliation to the Lok Mazdoor Sangh (LMS). About 20 per cent of the workers did lend credence to this union. The company did not recognize the union. However, some of the active members of this union gave their charter of demands that included, among others, 20 per cent bonus (during that year no bonus was paid till that time) and production bonus at a higher rate. The management adopted

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a policy of not entering into any dialogue with them. The LMS leaders resorted to negative tactics of a *dharna* outside the factory premises, boycott of canteen and even assault on a number of managers. The company went to court against the *dharna*. The High Court decided in favour of the company. Despite this, the *dharna* at the gate was not lifted, as the state government kept on instigating the agitators. The Labour Commissioner had to intervene. Finally, the state government and the leaders of LMS relented, because the company management went public with the statement that it was ready to shift the factory site from Haryana, which would have resulted in heavy loss of revenue to the government.

In the meantime, the company began adopting tougher productivity standards. Workers had to work harder to achieve them. There was a difference of opinion on the rate of payment in the productivity-linked incentive schemes. The company had to upgrade technology in some of the assembly shops that led to increases in output per worker per day. Unions began demanding a share in the increased output that was resisted by the management. This led to renewed agitations and a call for strike in 1995.

The management responded by suspending the President, General Secretary and six others for calling a general body meeting that unanimously agreed to go on strike. A two-day strike was subsequently organized. Different versions for the reasons of strike exist. The union claimed that it was due to the company's plan of privatization, i.e. giving a higher equity stake to its foreign collaborator. It was during this time that their share was envisaged to be increased to 50 per cent and the government was lending a sympathetic ear to this. The management, however, claimed that the strike was because of the pressure tactics adopted by the union to press their claim for the provision of a higher incentive, a long-standing area of disagreement between the unions and the management. The scheme at that time provided incentive to the workers on the basis of number of cars manufactured in the factory in a day. Some of the plants had been modernized some time back. As a result of this, productivity and output have increased. The management claimed that increases in productivity have been the result of introduction of sophisticated plants, which the unions negated. Also, the scheme had been in operation for the last four years and since output in terms of number of cars produced in a day had increased tremendously, unions claimed that the incentive scheme should be reformulated. Management, on its part, had demanding even before these incidents that the earlier scheme needed to be modified in favour of the management. The management had put forward a proposal that those employees whose quality was not up to the required standards may not get incentive money, but the union felt that it would bring arbitrariness into the distribution of incentives.

Coming back to the issue of suspension of union leaders, for which the immediate provocation was the two-day strike, it needs to be highlighted that the notice and resolution

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for the same were approved by all the office-bearers of the union. A proper notice was given to the management for going on strike. As though the management was looking for an opportunity, it sacked not only the President and General Secretary of the union and one employee from each shop to create a fear psychosis among all the workers. Eight days' salary of each employee participating in the strike was also cut for that month. Subsequently, suspensions of three employees who were not union office-bearers were revoked, although these employees had participated in the meeting that had called for strike.

According to the union representatives, the management suspended only those office-bearers who were antagonistic of their policies. Subsequently, some of the office-bearers of the union who were sympathetic to management became active and the management began dealing with them. Such leaders represented only about 20 per cent of the workforce, according to the employees.

The level of trust between the management and the union reached its lowest level. For example, in March 1996, the Government of India organized a national seminar in which employers and their trade union leaders were invited to discuss labour-management issues. Company representatives, comprising employers and trade union leaders, attended the seminar. The company was represented not by trade union leaders or direct workers but assistants (non-production workers) and they were instructed to keep mum during the deliberations of the seminar. The Managing Director's address in the seminar stressed the cordial labour-management relations and other employee development practices in the company.

Briefly, up to 1995-96, the unions were encouraged in the formative years, and subsequently there has been a turbulent relationship. There were factions within the union, the union leaders were given undue favours at certain times, the union was successful in creating undue uncertainties amongst the workers at the time when the equity share of the company was increased in 1991 despite assurances by the management of no adverse consequence to the workers, the union in power never represented majority of the workers as many a times they won by slender margins. The two-day strike was crushed and action was taken against some of the union leaders and workers.

In 1997, a new Managing Director took over. He began an over-appeasement policy with the unions. The trade union leaders who had politicized the union with external leadership of CPI, were given personal favours. A 32 per cent increase in the wages took place at a time when competition for the company was increasing. The union, in turn, gave wholehearted support to the MD and even made favourable representations to the government, including the industry minister.

A new MD was appointed in 1999 and the policy towards the union changed. Having sensed power, the union leader could not fathom this loss of status and organized a

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three-months long strike in 2000. The basic issue given to the workers was the disagreement on the incentive scheme which had been continuing since 1995-96. The management took a tough stand and kept up production with the help of casual workers since almost 20 per cent of the regular workers were against the strike. These workers were given protection of all sorts. Outside the factory, the union resorted to violent tactics of even beating those workers who wanted to join work.

The strike ended without any success for the union and the workers. The fiery union leader was dismissed on a charge of misappropriation of funds. The union was de-recognized. The management demanded a good conduct certificate from each worker, which they complied with.

A new union called the Maruti Udyog Kamgar Union was registered. It now represents about 70 per cent of the workforce. A collective bargaining agreement was signed in October 2003 in which all the thorny issues have been taken care of. The most important issue of disagreement between the management and unions, was the incentive scheme, which continued for over eight years. The management was finally able to secure an agreement on this contentious issue too.

The incentive scheme began in the company in 1988 with an amount of Rs. 250 per month to the workers. This amount had increased on an average to about Rs. 6,000 per month by 2000. It was mostly based on production volumes. The management was of the opinion that introduction of new plants with updated technology had resulted in increase in production volumes per worker as well as the fact that the ensuing competition had made it difficult for them to sell their product. Their contention, therefore, was that the incentive should be linked to sales and profitability too along with production. Since there was continuous disagreement over this issue, the management discontinued the incentive scheme in 2001 and 60 per cent of the amount last drawn on account of the incentive was being given to the workers since then. A new incentive scheme named, Profit, Performance and Reward Scheme (PPRS) has been introduced since 2003. The incentives are linked to the increase over last years sales, profitability, productivity, quality and attendance.

Some of the clauses of the 2003 agreement are as follows:

The agreement provides for an ad hoc benefit ranging from Rs 29,000 to Rs 58,000 per worker for the two-year delay in signing the agreement, replacing the variable DA to a fixed DA of Rs 200 per month increase every year irrespective of the price increase, de-linking of the CCA and medical domiciliary from the basic pay to a fixed allowance along with a reduction in the perks basket including the canteen subsidy and leave travel assistance. Amounts have been fixed under the perks basket except for House Rent Allowance that has been kept at 30 per cent of the basic pay. Levels of workers have been restructured to three from

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the earlier ten. All loan schemes along with the interest subsidy have been abolished. The number of holidays though has been increased. Every second Saturday has been declared a holiday and, in effect, the workers now get 19 days of leave instead of the 10 days in the past. The management and the unions have also agreed to maintain discipline, industrial peace and harmony, achieve highest levels of productivity and performance, strive to maintain attendance level of above 95 per cent, promote welfare and cultural activities and improve utilization of company resources for optimum performance, quality improvement and cost reduction. This settlement will last up to October 2008.

Since 2001 the management has been acting tough with the workers and the unions. The norms in the company for attendance were made very strict (half-day leave for coming one minute late with a resultant reduction in the incentive amount). The worker can not take leave along with the weekend or other holidays declared by the company. Workers used to come and go by chartered buses engaged by the company. This facility was withdrawn in 2002 during the time CNG was introduced. At that time, according to the management they found it difficult to get 55 CNG buses required to carry workers to and from the factory premises. The unions and the workers state otherwise. According to them the management got an opportunity to withdraw the facility as it was wanting to do so for some time. According to the management too, this proved to be a blessing in disguise for them. Earlier they were not able to control the late coming of workers. As drivers and others in-charge of the buses would often bring the bus late on one pretext or the other. Production suffered as some workers would come on time and others late, thus not enabling the company to run the assembly line till every one had arrived. Attendance level has improved considerably since the discontinuation of chartered buses. An agreement, however, was reached with the union and workers at that time that the money spent on chartered buses should be utilized to build a branch of the Delhi Public School in the workers' housing colony. The management has honoured this.

Earlier, the management used to help workers' wards to get admission in some schools. This was because the company had put in some money in these schools and there was an internal arrangement to admit students. Now, the finance has been withdrawn and the workers' wards are not helped in admissions.

**Role of the Third Party (Tripartism):** This Company began as a Government-owned enterprise and was, as per the stipulations, accountable to various arms of the government. Initially, this third party helped the company to get to its feet and take off. Like many Government enterprises, the socialistic orientations of the government seeped into the enterprise. The first MD was from the public sector and so were many others till 1999. Initially, it believed in freedom of association and the right of collective bargaining.

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Since the men at the helm of affairs of the company had different perceptions about the value attached to the right of association, industrial relations have been tumultuous. The management had, therefore, a greater interface with the third party. The experience of third party role has been mixed. While the inefficient system of labour courts have come handy for the management as it has dismissed employees at times without a proper enquiry and yet has been able to drag cases in the courts. Those union leaders not toeing the management line have also been sacked and some court cases are dragging on for over 10 years. Their experiences of dealing with the state government has been highly negative with the state actively colluding with the subversive groups. The party in power in the state has tried many times to cause divisions among the workers and the unions with the help of outside political leadership. At one time, the company had seriously contemplated moving out of the state. The management of the company also contends that the rigidity of labour laws has at times hampered deployment and other issues related to workers. However, they have been able to have their say at times because of persuasion and other times creating a fear in the minds of workers. All agreements have the formal stamp of the conciliation machinery which the management considers an advantage

The tripartite system as it exists in the country is rather ineffective for the company and the management is able to violate and get away with it by creating a fear factor of insecurity of jobs. The VRS, which has not been really voluntary in any sense, has helped them to create this fear factor.

**Voluntary Retirement Scheme (VRS):** The company has gone through two phases of VRS, during Sept.-Oct. 2001 and Nov.-Dec. 2003. Sixteen hundred workers during the first VRS and 900 workers and 300 executives during the second one had availed of the scheme. The retrenchment benefits were comprehensive and apart from a one-time cash benefit, insurance cover, training in certain trades (optional) with minimum costs to them. and involvement of banks to provide guidance for judicious investment of the retrenchment amount were also included.

Each manager was given targets of the number of workers to be retrenched. They were under pressure to achieve them. The managers, in turn, pursued all kinds of tactics to complete their targets. There was no distinction between a good and not-good worker. A fear psychosis developed amongst a section of the workers that if we do not avail of the VRS now, there may be an unfair dismissal soon after. Some of them are now wishing to join as casual workers with much less salary. The two VRS schemes have created a fear psychosis amongst all the employees despite repeated assertions by the management that there will be third VRS.

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## **Forums of Social Dialogue**

**Morning Assembly:** Each and every employee in the office, all the departments, and at the shop-floor units assemble at the beginning of their shift. The assembly begins with an exercise for about five minutes followed by a briefing by the supervisor and officers at the senior level. Only work-related issues are discussed in the context of the previous day's issues hampering quality and productivity. Strategies for prevention are communicated during the meeting. Some of the specific issues which come up for discussion are defects, absenteeism, problems in getting the work done, highlights of previous day's work and instructions for the present day. The management takes up any other information pertaining to work. Usually seniors speak who seek specific information which the workers provide.

**5S:** This practice had been initiated in the company since its inception. The workers as well as the managers were given training with on-the-job instructions to continuously follow the 5S practices. This was found to be the best process of educating workers to do things in a particular manner. Issues range from the serious to the mundane — the way major machines have to be handled to the location and manner of placement of every small tool. The final arrangement should be such that every worker may pick the tool like a robot. There must be uniformity across the organization in 5S practices. The company has so far enjoyed immense benefits of reducing wastages, man-machine movement reduction in office space, number of tube lights, etc.

This is a continuous activity even now and the assembly line is stopped for one hour once in a month for seeking continuous improvements. It is not mandatory for the workers to take part in this scheme but the expectation is that every worker has to be a part of the continuous improvements, come up with their suggestion for improvements, etc. Initially workers were quite enthusiastic and there was a lot of room for improvements. Now a large number of such issues have been taken care of. The meetings, therefore, are being utilized by the management to involve the workers in bringing about improvements according to their own assessment. The Kaizen committee has members of office bearers of the union as well as representatives of the shop floor and representatives of the management.

**Suggestions Scheme:** It is mandatory for the workers to give at least 15 suggestions per annum. There is a standard format for their submission. Almost one-fifth of them are implemented. There are department-wise committees comprising workers and supervisors. A suggestion is given to the supervisor who compiles and gives it to the line in-charge. Suggestions mostly relate to costs, quality, wastage, etc. The committee is authorized to accept or reject suggestions. Accepted suggestions are forwarded to the departmental head. In the case of suggestions involving lesser financial expenditure (up to Rs 10,000), the head has the authority to take the final decision and implement

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the suggestion. Accepted suggestions involving higher financial outlays require a higher level of authority to take the final decision. Suggestions given by the workers have had a very positive impact on the company in all the areas of work.

The feeling amongst employees is that they should not be forced to give suggestions. The management, according to them, labours under the wrong notion that everyone can and is willing to give suggestions. However, since the management thinks that if a worker does not give suggestions, they are not creative and have lesser commitment to the organization. All kinds of suggestions therefore come up. Their quality has decreased considerably and workers consider giving a suggestion as a burden rather than opportunity of contributing positively to the betterment of the company.

**Safety Committee:** The committee meets monthly and is represented by office bearers of the union as well as the management. The union representatives raise safety matters including the quality of the equipment, shoes, gloves, etc. The management is quite cooperative and takes every suggestion in a positive manner to improve safety standards of work and workers in the organization. As a result there are fewer minor accidents and almost no major accidents within the organization. The frequency of minor accidents is almost once a week and the incidence is higher amongst the casual workers.

**Quality Circles (QCs):** It is compulsory for every worker to be a part of a QC. There have to be at-least two QCs per division. The members hold meetings on the first Wednesday of every month for one hour. The management takes the forum and its outcomes very seriously. The managers are of the opinion that the seriousness can be gauged from the fact that the time spent on QC meetings by all the workers results in a production loss of almost 3000 vehicles per annum. Competitions within the company are organized between the circles and attractive prizes are given. Best QCs represents the company in CII and other national as well international competitions.

**Grievance Committee:** The grievance cell as it is called is almost inactive. The union office bearers though admit that they receive a large number of formal or informal complaints. Most of these grievances are of a personal nature and relate to the high-handed manner and behaviour of their immediate supervisors, favouritism in allotting the volume of work, attendance, draconian leave norms quality of food, etc. A worker is expected to inform his supervisor if he wishes to make use of the washroom facilities. Tough production norms and high-handed manner of compliance by the supervisors leads to a large number of issues culminating in grievances to which no solutions can emerge within the organization.

**Employee Relations Development Committee:** This committee meets once a month and comprises representatives of the union, including the president and the general secretary and heads of various departments. There is no fixed agenda for the meeting but the forum is effectively utilized both by the management and the unions to convey

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each other's viewpoints. The unions raise all kinds of issues that may also be in the domain of other committees. These relate to canteen, safety, grievances, welfare, interpersonal relations between workers and their plant-level officers, etc. The management communicates their concerns of reducing costs, increasing productivity and profitability and discipline. Lot of mutuality exists in these meetings as all the contentious issues have been settled in the October 2003 agreement. The workers feel that the present union leaders do not pursue workers issues forcefully enough.

**Sankalp:** Beginning from this year, the management and unions have agreed to provide training of at least one day to all the workers. This training helps them to understand the economic environment, competition in the auto industry and various other facets of the outer environment. Workers are further exposed to the kind of attitudes, behaviour, commitment and responsibilities that they are expected to take up if the company has to survive and excel in the present environment.

**Others:** Informal impromptu meetings also take place for ten to 15 minutes where someone's achievement, birthday, etc. is celebrated with snacks. Such meetings take place at the behest of the department heads. Each department has been provided a welfare budget for such get-togethers. There is a death relief fund in which Rs 50 per month is deducted from the workers' wages and a relief of up to Rs 2.5 lakh is given to the kith and kin of the worker upon his death while in employment.

### **Managers Perceptions and Workers Expectations**

- Involvement of all the employee regardless of the status or subject matter;
- It is a medium of developing cultural values and knowing the mind of the workers. This can be best achieved through informal channels of eating together, meeting on social occasions and cultural festivals, etc.;
- Debating and discussing any issue concerning workers;
- Social dialogue helps the management in understanding workers' viewpoints and the management conveying their viewpoints; and
- A forum to create social awareness amongst the stakeholders, particularly to those who are going to be affected by it.

In the beginning social and cultural aspects and reducing the social stratification and bringing equality amongst the workers and management was the most important expectation of the management from social dialogue. Over the years, the complexion of social dialogue has changed. Today the management has given up on the earlier objective and social dialogue is pursued to create forums of continuous communication on work-related aspects of the company, i.e. the outer scenario, the ensuing competition and repercussions on the company, identifying problems in achievement of qualitative and

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quantitative targets and above all conveying the message that the management will tolerate nothing less than the best from every employee.

The older workers, those who had joined the company in the eighties, expect the restoration of earlier assumptions of social dialogue and are therefore totally disgruntled with whatever exists. Workers joining in the nineties are resigned to the fact that the company would only utilize these forums for improving production, productivity, quality, etc. The workers nonetheless expect that at least the management show little attention to their personal grievances on work-related issues such as canteen, timings of lunch-tea breaks, leave clubbed with weekends and other holiday provisions and transport facilities. Instead of deducting half-day leave for coming one minute late, instead ask such workers to work 15 minutes extra. More holidays, reducing high-handedness and favouritism of the supervisors, etc. were other suggestions. Their expectation today is to be treated like a human being and not a robot or machine.

The family members of the workers are not involved in any way now, although they were being involved in the past in many occasions. There are few female workers and they are not specifically represented in the formal process of social dialogue. There are no specific issues of women employees which are taken up in social dialogue forums and the management does not make any distinction for them in their emoluments.

### **Outcomes of Social Dialogue**

The company's impressive performance since inception is also attributed to the practice of social dialogue. The argument in favour of this statement is that initially the management did try to generally create a spirit of working together with the involvement of workers and more appropriately the unions. Presently the forums of QCs, suggestions scheme 5S etc continue to yield positive outcomes to the company. But the strong foundation of dialogue and representation of workforce was not continued in the earlier spirit. There were periods when collective bargaining was given an impetus with resultant gains to the workers. However, it was more a part of the appeasement policy of the top management towards unions rather than in a genuine spirit of working together. Having said this, the learning created through continuous application of 5S, Kaizen, suggestion schemes, QCs, etc. did contribute to the achievement of efficiency and productivity in the organisation.

### **Measurement of Success of Social Dialogue**

The managers felt that it is subjective and contextual and, therefore, may not be amenable to an exact objective measurement. Yet, according to them, some measures of success may be as follows :

- Discussion without fear in a frank environment;
  - Intent of both the parties to sort out issues and be flexible;
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- Implementation of the discussed ideas;
  - Enthusiasm to participate in the forums of social dialogue;
  - Achievement of social and cultural integration of workers and managers at all levels;
  - A positive image of each other, i. e. the management and union/workers;
  - Workers' willingness to sacrifice for the cause of the company and self-interests taking a back seat;
  - A feeling among the workers that social dialogue is also a forum of bottom-up communication;
  - Direct participation involving larger proportion of workers in contrast to indirect participation as unions do not always represent the wishes of the workers; and
  - Informal environment in the social dialogue forums.

### **Problems of Social Dialogue**

- Despite repeated pleas by the union and muted expressions of the workers, human resource issues are not listened to or discussed in detail. Human touch in the company is missing. This used to be the major philosophy in which social dialogue was taking place in the earlier years. The senior management is of the opinion that the earlier philosophy had brought a lot of complacency amongst the workforce and in view of the tough competition, the human touch must take a back seat in the management policies.
  - Today workers also feel a lack of involvement in the promotion process, job rotation transfers, etc. Experience and seniority, according to them, is not taken into account in the treatment of workers. VRS was forced upon workers. The last collective bargaining agreement has rationalized and reduced benefits of workers all around.
  - Each Managing Director brought in his style of management and the urge to participate. The first MD was in favour of a genuine process of consultations and collective bargaining. During his tenure, union activity was encouraged and dialogue between the workers and the management prospered. The next MD was neutral and, therefore, left the process of social dialogue to the individual managers. The third MD once again encouraged the unions and followed an appeasement policy with the workers. However, his approach was limited to individuals (mostly one or two office bearers). Workers, by and large, were not involved in the process of dialogue. The present MD took over about five years ago. The appeasement policy by his predecessor was stopped. The union responded by going on a three-month strike. The management acted tough and
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literally crushed the strike. Workers who came back were selectively victimized. Any hope of an impetus to social dialogue vanished with the company posting a loss in the years 2001-2002. One sided tough management measures were taken which yielded positive financial results. The union accepts the logic of the management policies. Now, there is an individualistic approach to social dialogue and it is up to the senior managers to pursue social dialogue in any manner. Some take the process seriously, while others who are in majority use the forums primarily to use it as a top-down communication channel.

- It is harsh to say that, despite the existence of a large number of forums of 5S, Kaizen, Quality Circles, suggestion schemes, committees and collective bargaining, the level of social dialogue in the company is poor, top down and is expected to serve the interests of the management which has an inflexible approach. Most of the social dialogue forums have the element of compulsory participation and workers contribute out of fear rather than genuine interest and enthusiasm.

### **Workers' Responses**

**Attitude towards social dialogue:** Workers were of the opinion that management's attitude towards social dialogue are not positive in many ways. They gave a very poor score on this to the management in general and the middle managers in particular regarding their belief that an average worker has the ability to make important decisions despite agreeing to the fact that there is the culture of holding discussions and meetings in the organisations. However, this does not percolate down to decision making which remains in the hands of the senior management. The workers also believe that there is no equality and collectivism, particularly with respect to management's belief that everyone should be consulted for the welfare of the company. Consultations and suggestions are selectively on work-related issues. Workers on their part are motivated and have a belief that they can and have meaningfully contributed whenever given an opportunity

**Organisational Climate:** There is total lack of warmth and support between the management and the workers. This is because they feel that management does not accord help to them in times of need, in fact is not even ready to listen to them despite the fact that the two groups know each other well. These forums are created to provide a communication channel. Workers feel that these are a one-way medium as the management does explain company policies and needs to the workers but does not show willingness to listen to the employees woes or even difficulties. As a result team spirit is totally absent although work is taking place. They also have a mixed feeling regarding rewards and their objectivity.

The workers further feel that the management is able to get the desired results from various forums of social dialogue, though as stated earlier these remain one sided

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results with nothing in it for the workers except sweat and toil. As a result, they felt that the management is not positive about social dialogue.

**IR Climate:** The company has had a tumultuous history of industrial relations and the responses of the workers show that there is lack of togetherness in settling grievances, disputes, common problems and making the organisation a better place to work. Workers are participating in all the forums of social dialogue. Despite this there is a lack of interest among employees in the quality of worker management relations, commitment to social dialogue and interest in their outcomes. As a result of all this the workers show a total lack of trust with the management.

**Mutual Respect, Trust and Fairness:** Their responses on mutual respect, trust and fairness are negative and the workers show a lot of latent hostility at least as far as their feelings are concerned. However, they do not manifest open hostility or aggression at the workplace due a very high fear of losing their jobs.

**Outcome:** The outcome for the management is positive, as they are able to constantly pass on their message of work, targets, quality, expectations, etc. to the workers through the forums of dialogue. They have been able to manage the unions and this they attribute to their skills of dialogue. The workers are least satisfied as they feel that the environment of an effective social dialogue is totally absent, there is a fear factor due to which they get involved in the forums and they have little say in influencing the decision making in the organisation.

## ANCILLIARIES

### **Bharat Motors**

**Background:** The company was set up in 1942. It has seven units all over India. The three main products of the company are: filters and rear view mirrors for automatic vehicles, lighting equipments and filters. It is an ISO (TS) 16949 company. This certification is awarded to the companies in the automobile sector by the DNB outfit (Netherlands and USA) and is a prestigious certification which few companies in India have received. The company received this certification in 2003. In 2002-03 it had a gross turnover of Rs 2126 million and a gross profit of Rs 228.79 million. The company has a workforce of 2,050, out of which 990 are casual and the rest in a permanent position. There are 286 executives in the company.

The company caters to more than 18 vehicle manufacturers in India and 24.5 per cent of its turnover is with the Indian company. This is the highest share of the supply of auto parts among all the vehicle manufacturers.

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The study was conducted in one of the units located near Delhi. The unit has a workforce of 416 with 35 executives. A vice-president heads it. He, in turn, reports to the executive director and the CMD at the corporate office.

**Interaction with the Indian Company:** There is no long term MOU with the company. It was and is product based. At any time the company can refuse to accept our products. Initially, there was a heightened concern but over the years there is strong trust in each other. However, our company always has to be on its toes to maintain quality of the products supplied to Indian company. When the company got orders for the first time the basic requirement was that we should be able to supply the quality required by them. At that time, the managers of the Indian company trained our managers and even workers on quality maintenance and improvement. Over the years, the relationship has become informal and there are need-based meetings but no structured ones. The only structured programme in which the Indian company has continuous interaction is the Quality Performance and Corrective Requirement (QPCR) programme. There is regular evaluation on technical, commercial and price aspects in a structured manner. Officers are designated who regularly interact with the Indian company. Apart from that there are standardized methods documented as Indian company audit styles which highlight details of system audit, process audit, product audit on specially prepared check sheets. It is expected that our company will strictly follow the norms and practices of audit not only on paper but also in terms of their actual implementation.

Apart from regular visits of senior functionaries of the Indian company, our managers are also called for to understand the newer perspective of different models. We are asked to report the corrective measures taken with regard to defects and changes required as a result of the changes being introduced in different models of the products. The company also involves us at a time when it is bringing improvements in its models and we are asked to supply parts accordingly. The Indian company follows a methodology of evaluating the quality of our product and our company has been getting a rating of 79 per cent, which is considered satisfactory but not excellent. Now the methodology of evaluation has been changed and we are getting a rating of 70 per cent. The evaluation earlier was being done on a scale of 0 to 3. Now the scale has remained the same but either the company supplying parts gets 0 or 3 and nothing in between. In effect, therefore, either the product is expected or rejected.

**Management Styles:** The company has a humble beginning and its owner followed the personalized approach of management. He kept a close association with employees, particularly managers. He has been quite approachable and does not believe in strict hierarchical relationships. In one of the incidents a general manager approached him on telephone for a meeting on a work-related matter. The MD personally told him that he was leaving for a pre-planned meeting and would revert back in the afternoon. The GM

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did not get any call from the MD or his office that day. Next day, to his utter surprise the MD came to his room at 9:00 am and gave an explanation that the previous day he had been held up somewhere but he was now ready to discuss the issue now (in the GM's chamber). The CMD, however, does not maintain this kind of openness directly with workers. Although the union leaders do meet him occasionally through the proper formal channel. The MD is nonetheless present in some of the cultural (Holi, Diwali, etc) and religious (jagran) functions. The MD also occasionally financially helps workers at times of acute exigencies.

The owner's two sons who are next in command in the corporate hierarchy are also following this style of management. The only change has been tougher expectations from the managers and workers. It is contended that this is due to the increasing expectations of quality, price, tighter control, etc. from the vehicle manufacturers. The sons also do not necessary follow an open-door policy. Decision making has become very formal and the paper moves from the officers' level and passes on the formal chain (manager-GM-VP-ED-CMD).

Management styles of the VPs, GMs and senior managers are a mix of the MD's style and a tough professional approach. Amongst the total population of the managers about half have risen from the ranks and the other are professionally educated with experience of modern management techniques. Those who have risen from the ranks usually follow a high-handed approach with hands-on a managerial style. They seek direct contact with the staff and workers in the plants, passing on orders and expecting compliance. Such managers have strong likes and dislikes and have developed in groups within the unit amongst the workers. The professionally inducted managers look after the technical aspects of seeking qualitative improvements in a technology-oriented environment. They usually have a hands-off approach and are closeted in the chambers often not visiting the plant and directly dealing with the workers.

**Industrial Relations:** The company has one union called Bharat Mazdoor Union. It is affiliated to INTUC. The management though does most of the dealing with internal leadership. There is very little interference of the external leaders. The union was registered in 1996 and entered into unit-wise agreement of three years duration. The last agreement was signed in 2003. Some of the features of the agreement are an increase in the basic wage of 10 per cent (union demanded 17 per cent increase), an additional medical relief of Rs 1000 per annum and increase in the night shift allowance of Rs 150 per month, provision of a bus facility, etc.

Industrial relations, by and large, have been peaceful as the company has been forward looking in terms of ruminating the employees. Every CTC is about Rs 18,000 per month which consists of a basic wage, DA (as per the state government), HRA, Children education allowance, conveyance allowance, uniform maintenance allowance and production incentive. On an average each worker gets a production incentive of Rs

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4,000 per month that is mostly linked to sales of the organization. The management has also not been very tough on compliance of a large number of norms of discipline, quality, rejection rate, reducing cost and attendance. Yet both the unions and the workers cooperate in achieving these norms. There is also a culture of having a regular meeting once a month to discuss issues of mutual interest. In addition to that there is a regular contact with the unions on various issues.

The union leaders (president, general secretary and treasurer) do not do any company work and are allowed by the management to devote full time to union activities. Other office bearers can also spend two half days in a week on union work.

The only contentious issue that has at times raised some tensions relates to the automation of the assembly lines. Some other issues of canteen (quality of the food), absenteeism and discipline do result in heart burn between the management and unions. The union represents about 60 per cent of the permanent workers and they do not usually consult the rest. Some of their issues and grievances, therefore, remain unresolved. Similarly, casual workers are not unionized and there are therefore more management-worker problems on this account. At one point of time the management had recruited graduate diploma workers for the first time to create efficiency and enhanced quality. The intention of the management was to make others learn and integrate the same into their task. This was, however, resented by the unions and workers. The management assured the union that this in no way would affect the appraisal and accountability of the earlier workers.

**Forums of social dialogue:** The company has Quality Circles, suggestion schemes, Kaizen, a monthly forum of meeting with the union leaders and other informal approaches to dialogue directly with the workers. Participation in the forums is voluntary except for the monthly meeting with the workers. These forums are work related and are mostly used to improve the company's performance. At present there are nine QCs in operation. For the selection of an issue for QC, the management requests the workers to follow a systematic process. The workers are asked to list nine important pains in the workplace, then brainstorm and reduce the number to two and ultimately one. The management only acts as a facilitator and the workers take the initiative in identifying the QC issues and assume full responsibility of preparing the QC report. Having selected the most important pain, the workers select a leader and a deputy leader. Workers are given one hour of company time in a week to hold meetings on QCs. In case they overstay, workers are provided transport and snacks or dinner. The recommendations of each and every QC are implemented. Suggestion Scheme is also voluntary and the company receives about 80 suggestions in a month from the workers, of which five per cent are implemented. Implemented suggestions are acknowledged and workers are rewarded for the best suggestion. Kaizen activity is also taken up on voluntary basis and takes care of the day-to-day problems.

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The senior management functionaries and the trade union leaders attend the monthly meeting with the unions. The management takes up issues relating to discipline, quality, rejection costs, employee absenteeism, workplace changes and the union takes up issues relating to problems of workers such as provision of transport to all, behaviour of some of the seniors, bringing improvements in workplace environment, improving safety conditions and methods of celebrating festivals, Independence day, etc. Usually the discussions take place in an amicable manner and seldom take a hostile turn. In one of the meetings, the management explained to the unions their plan to introduce new technology to which the union leaders were opposed and the discussions did become hostile.

The management set up a task force and explained every thing to unions also in the process removing union leaders' apprehension that no permanent workers would be retrenched. Extensive training was given to the workers on new methods. Once again, when the company was seeking ISO certification the union was involved and workers were trained in newer methods of working.

The union office bearers and the officials represent the Canteen Committee. While the primary responsibility is to look after the quality of food, issues of selection of the contractor and changing him, if the food is not of the desired quality, do become contentious issues at times. The Welfare Committee comprises two representatives each of the management and unions. It has a provision of sanctioning loans up to a maximum of Rs 30,000 at one per cent rate of interest. About 80 per cent of the workers avail of this loan facility. Workers contribute to this fund @ of Rs. 100 per month. Similarly, there is an Emergency Relief Fund, which provides relief in acute illness and at the expiry of a worker. Representatives of the workers and staff manage the committee. The maximum loan limit is Rs ten thousand and Rs twenty thousand, respectively. Workers contribute Rs ten per month to this fund. The management provides first aid, ambulance facility and even financial aid at times of accidents. Workers are helped to claim medical insurance for which they are covered under a medical insurance scheme of up to a maximum of Rs one lakh.

#### THE COVETED COMPANY

**Background:** Commercial production began on 1<sup>st</sup> October 1987 although the company was incorporated in 1985. It manufactures steering and bearings for the four-wheeler industry. The proprietor/CMD of the company has had earlier experience of managing an enterprise by virtue of being the Joint Managing Director of an engineering company. He is a graduate and PhD in Engineering from a US University. The company began as a joint venture with the Indian company as well as a foreign collaborator. The foreign collaborator is the world's best company in terms of manufacture of steerings and number third in bearings. Presently, the company has an equity share of

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30 per cent with the collaborators share of 20 per cent and that of the Indian company of 10 per cent.

It has two plants—in North and South India. The investigation was conducted in the North India plant which employes 456 persons with the workers' strength of 285. There are 10 female workers, of which none works on the shop floor.

The company has received accolades from almost all the business partners to whom it has been supplying component parts. These include a Customer Satisfaction Award by the Indian Company for best performance under the steering systems components in Category A for the year 1998-2000, an award by a Korean automotive company operating in India for outstanding performance demonstrated to achieve 100 ppm in 2002 and above all the Deming Prize for outstanding TQM performance. The citation of the Deming award states that "the company has achieved outstanding TQM performance by practising TQM, utilizing statistical concepts and methodology based on the company's excellent business philosophy and leadership as demonstrated by its senior management. In recognition thereof the Deming Prize Committee hereby presents the Deming Application Prize 2003 to the Coveted Company." This is a rare honour and achievement. Since its institution about 40 years ago, only about 200 companies in the world have received the award. In India the coveted company is amongst six award winners of this prize. According to the management of the company the Deming Award has been given as a recognition of the company's efforts to provide an excellent service to customers, achieve highest quality standards in pursuance of its goals with total employee involvement.

**Management styles:** Three major fundamentals on which the management styles of everyone in the company are based relate to: excellence in pursuit of goals; service to the customer; and, respect to the individual with total employee involvement. The CMD has pursued a transparent management philosophy of working together and never following the path of confrontation. Towards this end the CMD always maintains an open style where everyone in the organization can speak on the phone, meet in the office and otherwise. A patient hearing intent to genuinely understand as well as solve worker related problems have been the hallmark of the management style of the CMD. This has been coupled with creating an understanding amongst the workers for the need to maintain the highest levels of quality and customer service. A COO is operationally heading the plant and he also follows the basic tenets of management styles of the CMD. Over the years everyone in the management hierarchy has internalized this style of management.

The major plank of employee involvement is a concern for the welfare of its employees. Beginning with a moderate wage structure, over the years the company has been liberally sharing the gains with the workers. The gross salary of a worker was Rs 3,238 in 1993, which rose to Rs 13,000 in 1998 and is close to Rs 21,000 now One-third of this amount is on account of the production incentive.

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Some special features of the remuneration package are: children's education allowance, incentive and overtime allowance, death relief fund, and loan schemes including an emergency loan.

The children's education allowance has a provision of payments to seek reimbursements on money spent on account of tuition fees and uniform at the rate of Rs 450 per month and 500 per year, respectively for each child up to a maximum of two children. The production or the incentive amount is a liberal allowance along with overtime. The death relief scheme stipulates a provision of payments to the widows, up to a maximum of Rs 6,000 per month, the payment continues till her son attains the age of 21 or she remarries. It also has a liberal loan facility for purchasing a two-wheeler once in seven years, loan for marriage, or loan at the time of real emergency. Earlier it has loan scheme for buying any household item up to a maximum amount of Rs. 35,000 to be paid back in 35 monthly installments.

**Industrial Relations:** The company has a single union recognized by the management since 1990. It is politically affiliated to INTUC. All workers are members of the union and despite the fact that it is politically affiliated most of the discussions take place with the internal leadership. The unions organise elections once a year. The history of IR has been an exemplification of cooperation between the union and the management. There has been no strike or *dharna* since the inception of the union. This is despite the fact that other companies in the region have not remained strife free. An outsider can also discern the friendliness of relations between the management and the unions.

The management has a strong belief that production should never be stopped, come what may. To achieve this objective as well as maximize benefits to the workers, the management is always accommodative, never rigid even in cases which do not conform to the set guidelines according to the agreements with unions. As a result even the union wholeheartedly cooperates with the management in achieving the company's goals. The last agreement was signed in 2000 and had resulted in an overall salary increase of 11 per cent. Some new benefits were also introduced and the unions willingly agreed to eliminate practices leading to wastage in various inputs, ensure efficiency and productivity, combat practices which adversely affect the job and cooperate and support all the efforts of management towards improving quality, efficiency and productivity of the enterprise.

While the management is flexible on worker-related issues, the unions are very strict with workers in seeking compliance of the stipulations and requirements of the management. At times the union takes the lead in correcting the deviant behaviour of the workers regarding absenteeism, interpersonal problems, etc.

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It is the basic foundation of the management philosophy of worker development that is at the root of excellent union-management relations.

### **Social Dialogue**

**Morning Meetings:** These meetings are held at all levels between all the employees including the workers. These meetings take stock of the issues of the previous day's work and planning for the present day. The meeting takes place before the scheduled time and the work at every level begins on the appointed time. Most of the issues relate to quality, defects and sometimes late coming by the employees.

**JISHU HOZEN (FOZ):** This is a forum for a weekly get-together and the officers as well as the workers take up any issue relating to the machines. The occasion is also utilized to clean machines at the shop floor very systematically. Each employee (including the managerial level functionaries) is allotted a machine and the employees are expected to clean each and every part along with looking at the problems relating to any one of the machines.

**Quality Information Forum:** This is a structured method of collecting information on all the matters relating to quality. Every worker is given a blank pad (called tags) in which he is expected to list out the problems faced during the last one week along with the action taken by him and others. The information must also contain his recommendations to prevent such occurrences.

**Group Problem Solving Forum:** This is basically a name given to Quality Circles. At present there are 60 quality circles in the company. Every worker takes part in the group problem solving activity. The workers themselves select the leader of the quality circle and each one becomes a leader by rotation over a period of time. This forum submits its report in three months' time. The issues basically relate to rejection, safety, environment, etc.

**Others: Kaizen** is a process of bringing continuous improvements. This activity is pursued by a group of workers drawn from various functions. They look at issues relating to reducing time required for being an activity, reducing reset time and elimination of break downs. The company also has a **suggestion scheme** where each employee gives about 20 suggestions on an average in a year. Almost of 60 per cent of these suggestions are implemented. A committee headed by divisional head evaluates these suggestions. Other members are the functional heads of the organization. Workers\unions are not part of this committee.

Most of the schemes also have built-in awards and rewards. There is competition for the best quality circle every quarter. The winners get cash awards up to Rs 5000. The winning teams again enter into competition once a year and the winner gets a free trip to Japan to attend the yearly meet on quality of the foreign collaborator along with cash

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awards. The suggestion schemes include cash awards of up to Rs 500/dinner with the MD/a family day off with an expense of up to Rs 25,000/-

**Union Management Meeting:** The management and unions/workers keep a continuous level of communication to encourage a spirit of working together. The management and the unions meet twice a week to discuss and sort out any work or interest-related issues. The management usually takes up issues regarding the pressures on quality imposed by the automotive companies. Some of the issues which the unions bring up relate to extension of the transport facility in regions/cities where there are less than 15 workers, change of shift, deployment of workers, their promotion particularly in cases which are not marginally meeting the agreed norms and standards, salary advance, loan schemes, etc. The management usually is flexible and takes decisions on a case-by-case basis and looks into the merits and demerits of individual performances and behaviour. In fact, over the years workers who have a genuine problem or need usually come directly to the management, in view of the high level of trust between the management and workers.

The forums of social dialogue have helped the company in improving the quality of the products, reduce costs, and delivery and down time and achieve near 100 per cent levels of safety. The effort of the management is to create a spirit where the workers and union leaders are able to develop a mind set similar to theirs. A cooperative and non-confrontationist approach of the management facilitates in getting the message across in letter and spirit. Both the workers and unions give wholehearted cooperation since they trust the management. Presently the management, unions and workers are seen to be on the same wave length, particularly with respect to the fact that there should be no loss of work even for a minute and that together we must strive to make the company the best in the world. The management and the union/workers were also of the opinion that a genuine togetherness and trust which has been created due to these forums is a greater achievement compared to the tangible benefits

**Dialogue with the Automotive Company:** The Supply Quality Insurance Department is primarily involved in regular dealings with the automotive company. There is no long term MOU or any other form of understanding between the two companies. A case-by-case order is given and the automotive company is not bound to give any continuous order. Since the company has been dealing with the automotive company for a long time now there is a high level of mutual trust and coordination. A weekly target schedule of the automotive company is received and our schedule is determined accordingly. There is a continuous auditing of quality, price, costs, etc. by the automotive company in relation with the product being supplied to them. Additionally, there is a regular vendors meet where the requirements of the automotive company are made known to the suppliers. However, there is no dialogue between the automotive company and the vendor on personnel and HRD policies, including training.

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## **CONCLUSIONS:**

There are some similarities in the companies studied in the automobile industry. Both the companies have achieved impressive growth and are leaders in the market. The moorings of growth for both the companies have been on the plank of a familial environment in which social dialogue was given immense importance.

### **Social Dialogue in the Two Companies**

Social dialogue in Ramson Automobiles is directly with the workers and is indirect (through the unions) in the other company. Both the companies began with very high level of social dialogue. In one, it was led by the patriarch of the family and in the other with a strong push of the Japanese management practices and legitimacy to collective bargaining. These practices continued for over six years in company one and for over a decade in company two. Workers were directly represented in Ramson Automobiles and mostly indirectly through the unions in the Indian company. In both the companies social dialogue was intended to achieve human resource management goals along with those of productivity and efficiency. The forums of 5S, Kaizen, Suggestion Schemes, QC and others formal committees were also used to understand the concerns of workers and provide amenities accordingly. Workers in Ramson could directly talk to the patriarch (the first MD for about six years). He had instructed his managers to act similarly. In the Indian company, as a result of the social dialogue forums and favourable management perceptions, workers were given various perks towards housing, conveyance along with their social and cultural integration within the premises of the company. Both companies also had the philosophy of creating togetherness with managers and workers wearing the same uniform and eating the same food in the same canteen.

### **Problems of Social Dialogue**

The humanistic approach on which the edifice of social dialogue was built has disintegrated in both the companies. Both the companies now believe that they will get more work done as they pay more. Both companies have attractive incentive schemes along with handsome salaries.

Companies have nonetheless continued with a large number of forums of social dialogue. Their complexion, however, has totally changed. These have become forums of top-down communication mostly on work-related issues. The management though proclaims that workers can come up with any issue and the management would listen patiently. Yet, few workers now come up with interest-related issues as there are of the opinion that the forums are entirely meant for discussing work-related issues. Even when minorities among workers have raised issues of concern to themselves, nothing has happened. In fact, their immediate bosses do not like workers to raise such issues in forums where their seniors are also present. Dialogue on work-related issues also

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takes place on the lines expected by the management. Criticism or faultfinding by workers on managerial practices even when work related is abhorred and taken personally by the management. The forums do not have decision-making authority that lies only at the top. Even the middle managers gauge the mood of the senior management and act accordingly in various forums of social dialogue. The compulsory nature of attendance and participation takes the sting out of genuine participation. As a result, these have become another official chore for workers. The management is not complaining as the forums are serving the broader cause of efficiency and productivity.

Having said this, it must also be stated that the compulsory nature of participation has also made the workers somewhat creative. Some amongst them remain quite excited, give a large number of suggestions, participate actively in Quality Circles, 5S, etc. Winning laurels in the process has made them socially more respectable both within and outside the organisation. In the Ramson company there is an enthusiasm amongst workers to participate in some of the 7S committees which discuss social, religious and cultural issues.

### **Equity in Employment**

Both companies are following ILO fundamental conventions and these are given effect at the work place. The companies do not have a very large female workforce. In fact, in both the companies, women constitute less than one per cent of the total workforce. Their remuneration levels are similar to those of the male workers. There is no separate formal forum of submitting grievances although in the Indian company, a complaint cell exists which is almost non-functional. The management expects that the complaints will come out in one or the other forum of social dialogue and, therefore, there is no need for a separate forum to look after the complaints of women workers separately. Other management policies of promotion, training and pay are not at all based on sex and are uniform for all the employees. Apparently, there were no complaints of sexual harassment or discriminatory behaviour with the fairer sex. In fact, the only discrimination one may assess is that women workers are not given employment as part of a deliberate policy of the management. Therefore, their numbers have remained very small. Many of the females in the Indian company were employed in the first place as they were the spouses of some workers who had died. This was the policy in the company for about fifteen years. The women workers were of the opinion that the management expects similar work from them but is considerate enough not to give them hard work. They are not directly members of the committees in both the organisations but are treated at par with their male counterparts in terms of their membership of QCs, Kaizen, 7S, etc.

### **Collective Bargaining and Freedom of Association**

Collective Bargaining and Freedom of Association (ILO Conventions 87 and 88) is practised in the Indian company but not in Ramson Automobiles. Seventy per cent of

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the workers are unionized in the former company. The union has had internal leadership and was not affiliated (except for a short period) to any political party. In Ramson Automobiles, it is an intentional strategy of the management to keep the plant union free and they have succeeded in keeping it that way. The management in the company states that workers don't feel the need for collective bargaining, as there are other forums of social dialogue that fulfils this need of theirs. Pay and perks have been continuously revised by the management and are amongst the best in the industry. The management further claims that these are always kept higher than in other companies where collective bargaining parleys take place. Workers have also resigned to the fact that we will not make any attempt to form a union because the management does not expect us to do this and may even adopt harsh measures like termination. Their contention is where else would we get such a good salary.

The Indian company has had six collective bargaining agreements, the last one being in October 2003 that was due in 2001. The collective bargaining agreements are always applicable to all the permanent workers irrespective of whether they are formal members of the union or not. However, the casual workers, which comprise about 20 per cent of the workforce, are not bound by the collective bargaining agreements.

Unions' right to collective bargaining has had its ups and downs during the 21 years of the company's existence. Each MD (there have been four so far) had his own assumption about the legitimacy and role of collective bargaining and therefore the true spirit of freedom of association and collective bargaining has been missing for many years. The last agreement has clauses that are detrimental to the interests of workers and workers feel that the various clauses are a sellout. Both unions and workers have resigned to the fact of the ascendancy of the management. The history of collective bargaining also highlights that the management as well as the unions have always operated with a win-lose strategy and both the parties have attempted to bar the gain (rather than bargain) of each other. As a result, there have been various strikes. In their absence the industrial relations have been far from peaceful. The management—workers and earlier union members allege—does not accept the idea of collective bargaining in its true spirit.

### **First Stage of Supply Chain**

The two companies depend upon ancillaries for most of the components. In fact over 90 per cent of the product parts are supplied by the ancillaries. "Vendors" is the term used for such ancillaries. The Indian company also has joint venture ancillaries with a foreign collaborator. At the time of agreement, the two companies ensure that the vendor has been in business for some time, is able to supply the quality, and trial tests on the quality of components parts are done. The Indian company's growth was stunted in the initial years because the concept was new and there were very few vendors in the business. Even after getting into agreement, the vendors were not able to supply the

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bulk volumes required by the company. The company, therefore, had hiccups with vendors in the initial years. Over the years, the network of vendors has increased and both the companies have been able to develop a close relationship with each other. The quality and material department officials of the companies visit the vendors as often as they can and continuously monitor the quality levels at their end. The formal level of dialogue is mostly confined to monitoring the quality standards of the components. The companies do not interfere with the other policies of vendors, including those of man-management. Many of the vendors have HR policies of employee development. Many vendors, including the ones with forward-looking policies, do not manage through social dialogue. Some have unions, while most don't.

The patriarch of Ramson company kept a very close personal relationship with vendors and helped them financially. One of the vendors even won a Deming's Prize. In the Indian company, relations were not too close but quality standards were insisted upon. On the other hand, one of the vendors had a long strike last year, precisely because it was running the company without any social dialogue and collective bargaining parleys were being carried out in a win-lose strategy. The Indian company was ready to help on a request basis to end the strike. The management readily complied with the vendor's request to issue a letter to the State government that this company's strike may be called off because it is disrupting our company's supplies. The HR functionaries of vendors often come for consultations with their counterparts in the other companies. The company officials often invite representatives of the vendors for discussions to appraise them of the expectations and the changes they introduce in the models. The vendors and the companies have now arrived at a reasonable level of understanding of each other's expectations and as such the companies have no problems in their dealings.

### **Strategies for Extending and Institutionalizing Social Dialogue**

- The two companies began their growth path with the help of institutionalized formal and informal forums of social dialogue. The companies reaped benefits in terms of organisation growth. The management strategy took care of the intrinsic needs of the workers. This then became the foundation of the institutions of social dialogue and this in no way compromised with the company's thrust towards productivity and efficiency. In this sense the values of promoters played an important role in extending and institutionalizing social dialogue. Such manifestation of values was also seen in other companies like TISCO, Modi Zerox, Oriental Bank of Commerce, Madura Coats and Luxmi Machine Tools, amongst others. Organisations following human growth and development as a means of achieving organizational growth assign greater importance to intrinsic motivational properties of work itself by allowing greater employee influence, autonomy and responsibility through social dialogue.
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- Participatory forums often fail to get institutionalized because the middle management fails to give it the credibility it deserves. Indians believe in power play and social dialogue takes away this power. The social dialogue forums lacked the support of middle management. In the case of the two companies, middle managers interpreted the intentions of the top in their own understanding and practised social dialogue accordingly. It is because of this that the practice of social dialogue differed within different departments of the companies as well as in various forums. The top management must ensure through a proper objective feedback, that the values are internalised and institutionalised by the middle management. Any good management must always ensure that there is a shared understanding and practice of the manner in which policies are being implemented.
  - A real test of an institution is the voluntary intent of workers to participate. For this to happen, the larger relationships have to be positive. This is another area that will help in institutionalising and enhancing the effectiveness of social dialogue forums.
  - Forums of social dialogue do not prosper in isolation. Other management policies have to be of a complementary nature.
  - Peaceful industrial relations help in institutionalising forums of social dialogue. In the Indian company, there is presently an uneasy calm in IR which has had a turbulent history. Unions must be given legitimacy, thereby legitimising freedom of expression and collective bargaining.
  - Delegation is always a good management strategy as it helps in building capability amongst the managers at all levels. An integral element of delegation is the decision-making authority down the line. The companies under review need to get away from decision making at the top. This will also help the social dialogue forums as there are presently not vested with the decision-making authority.
  - Progressive growth of the companies, excellent financial performance and the outstanding corporate image in the community should have induced a dynamism in the work environment and spurred members to participate enthusiastically in the social dialogue. However, the touchstone of affection and a realization that man does not live for bread alone has eroded in the two companies. The economic needs of the organization must, therefore, be harmonised with the social needs of the employees, including the workers, to gain the voluntary involvement of the workers.
  - Understanding of Indian culture where we look towards our seniors and emulate
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them is important. The patriarch in Ramsons and one of the MDs in the Indian companies were able to be good role models.

### **Measurement of Social Dialogue**

Behavioural scientists have been able to develop tool to measure social and psychological behaviour. However, no such instrument of social dialogue exists so far. The interpretation of the success or otherwise of the dialogue, therefore, remains somewhat subjective. We have made an attempt to develop such an instrument with the help of discussions with the managers, unions, workers and academicians.

The literature highlights that there are a variety of reasons for the company to take up social dialogue. There are also differing viewpoints about the measurement of social dialogue. Some say that measurement of social dialogue is not possible. The following arguments are given in this context.

- The level of dialogue may depend on companies' environment and pressures at a particular point of time.
- Social dialogue delays the decision making process and in today's tough environment the management has to take quick decisions.
- Outcomes are both tangible as well as intangible. It may not be possible to measure the intangible.
- Outcomes in terms of productivity and efficiency are a result of a combination of factors including technology and policies of the management. It may not, therefore, be possible to single out the impact of social dialogue.

The above arguments notwithstanding, some of the indicators to measure social dialogue relate to the philosophy of the mentors, extent of transparency in the forums, their scope, degree of mutuality of interests being served by dialogue, freedom of association and collective bargaining, influence of social dialogue forums on decision making and styles of the managers.

### **Philosophy of the Management**

- The top management has the belief that workers play an important role in creating the wealth of the organisation;
  - The managers down the line share this philosophy;
  - Top management has the philosophy of sharing gains of the enterprise with the workers;
  - Top management holds the belief in the ability of an average worker to make important decisions;
  - Management philosophy encourages consultations between them and workers;
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- The philosophy of the management is not to look down on the weaknesses of its workers but help them to improve;
  - Management encourages workers to think and act creatively;
  - Management freely shares information on topics of social dialogue;
  - The policies of the enterprise encourage workers' growth and development;
  - Training and development of workers is a regular activity in the organisation;
  - Immediate supervisors act as mentors for workers;
  - Management has policies to determine the potential of every employee;
  - Management has policies to enhance the potential of employees;
  - Managers behave with respectfully workers;
  - Management is sensitive to the needs of the female workers;
  - Managers are encouraged to keep contact with the families of the workers;
  - Management encourages workers to bring improvements in their method of work;
  - Managers show a helpful attitude towards workers;
  - Managers listen to the grievances of workers;
  - Managers help in solving workers' grievances;
  - The management believes that workers should be assigned work and they may do it as told;
  - The management has the philosophy that workers should have a say in running the enterprise;
  - Workers show respect for their seniors;
  - Workers, by and large, adhere to the disciplinary norms of the company;
  - Workers do not shirk work in the organisation;
  - Workers share the enthusiasm of the management for the growth of the organisation;
  - Workers show job satisfaction in the company;
  - There is a great deal of respect for each others point of view;
  - The management philosophy is to get the maximum work from the employees;
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- The management/managers are only concerned about the work, efficiency and productivity of the enterprise; and
- The managers behave rudely with the workers.

### **Managerial Styles**

- Management usually does not give any information about a decision to be taken;
- Management informs the workers in advance about the decision to be made;
- Management seeks the opinion of workers on work-related matters;
- Workers on their own can give their opinion about the decision to be made;
- Workers opinions are taken into account in the decision process;
- Management and workers together take decisions;
- Social dialogue is practised as a means of improving the quality of decision making in the organization;
- Social dialogue is practised to communicate to the workers the concerns of management;
- Social dialogue also helps in creating a bottom-up communication channel for the workers;
- Participation of workers in some of the social dialogue forums is compulsory;
- Given a choice workers will not take part in the forums where participation is compulsory;
- Management respects the workers' right to freedom of association;
- Management deals with unions on a platform of equality; and
- Collective bargaining is practised in a fair manner.

### **Context and Scope of Social Dialogue**

- Social dialogue forums discuss work-related issues;
  - Social dialogue forums also discuss workers' interest-related issues;
  - Consultations in forums take place in a friendly environment;
  - Decision making on the issues discussed in the forums of social dialogue is in the hands of forum members; and
  - Decisions taken in the forums are implemented in the company;
  - Workers are involved in the implementation of such decisions.
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**OUTCOME OF SOCIAL DIALOGUE**

- Social dialogue forums have developed a mutuality of interests between the management and the workers;
  - Social dialogue forums have served the interests of both the company and the workers;
  - Social dialogue forums are used by the management only to put forward their concerns to the workers;
  - Social dialogue forums have helped the management in getting information and understanding the perceptions of the workers;
  - Social dialogue forums have helped in reducing costs;
  - Social dialogue forums have helped in reducing rejections;
  - Social dialogue forums have helped in reducing personnel-related problems of absenteeism, interpersonal relations, discipline, etc.;
  - Social dialogue forums have created a better perception of the demands of the management amongst the workers;
  - Workers feel that no purpose will be served in raising interest-related issues in the forums of social dialogue;
  - Workers believe that management incorporates only work-related issues in the policy framework;
  - Workers believe that management incorporates into the policy framework their concerns as expressed in the social dialogue forums;
  - Workers believe that their ability to contribute towards growth and development of the company has increased because of participation in the forums;
  - Workers believe that they are able to influence day-to-day decision making which affects them;
  - Workers feel that management pays attention to their suggestions and opinion;
  - Workers' job satisfaction is higher because of participation in the forums of social dialogue;
  - Workers enthusiastically participate in the process of social dialogue; and
  - Relations between management and workers/unions have improved because of social dialogue.
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# **Social Dialogue as a Means of Enhancing Productivity and Quality of Work Life: Case Study of Bogawantalawa Plantations Company**

*K L Chandratilleke*

## **PERSPECTIVES ON PRODUCTIVITY IMPROVEMENT**

The productivity improvement movement has a long history having had its beginnings with the work simplification practices advocated by F.W. Taylor under the famous 'scientific management principles'. Since then there has been an increasing attention on evolving various approaches and strategies to enhance productivity, and more particularly labour productivity, at the enterprise level. The Asian Productivity Organisation, a regional organisation established in 1961, to support productivity promotion efforts in Asian countries, has identified two generic approaches to productivity improvement: socio-cultural and techno-economic. The socio-cultural approach deals with such matters as moral values of a society and work ethics, while the techno-economic approach deals with more enterprise-specific factors such as industrial relations, human resource development, financial analysis and in-house entrepreneurship (APO 1989; 1998). Moving a step further, management writers have identified more specific approaches to productivity improvement planning at the enterprise level. These include work simplification, mechanisation, automation, facilities improvement, better planning and scheduling of work, more efficient use of manpower and employee participation and involvement (Armstrong 1990)

Work simplification approach, which is derived from Taylor's scientific management principles and further developed by Henry Ford for shop-floor level job design, emphasises the need to enhance the productivity of the average worker through task

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fragmentation, work standardisation and short cycle times. In this process little or no room is left for worker autonomy. It is no secret that both Taylorism and Fordism have been criticised for creating worker boredom and dissatisfaction and encouraging adversarial industrial relations (Bratton 1999).

Except the last two, the remaining approaches focus primarily on the need to alter the technical sub-system of an organisation to improve productivity. A recent development in this direction is the business process re-engineering (BPR) approach, which aims at providing a better service to the customer and achieving large cost savings by eliminating redundant activities and ensuring better co-ordination across organisational boundaries. Such co-ordination is usually achieved through the creation of flatter organisation structures and horizontal communication networks such as cross-functional teams. Despite achievements reported by some companies that have used this approach (Hall, Rosenthal & Wade 1993), there has been a certain amount of confusion and skepticism over its sustainability as an overall approach to productivity improvement. It has been noted that elimination of jobs through de-layering and the resultant increase in the workload for remaining employees could have detrimental human effects in the long run (Greer 2001). To add to this confusion, a recent study carried out in a sample of manufacturing firms in Sri Lanka has shown that in the short run, developing the human system holds greater promise for productivity improvement than developing the technical system (Aponso 2000). BPR should not be seen as an exercise in making drastic technical and structural changes in the work place, but more as an organisation-wide intervention having deep implications on the values and norms governing interpersonal relationships among organisational members. Therefore, to be successful, BPR efforts should be supported by the organisation's culture itself (Greer 2001).

The last approach, which is anchored in modern human resource management concepts, attempts to enhance productivity by developing a committed work force. The commitment is achieved through a variety of employee involvement strategies including team briefings, job enrichment programmes, self-directed work teams, joint consultative committees and quality circles (Cotton 1993; Hyman & Mason 1995). A major theme of all employee involvement programmes is the improvement of quality of work life (QWL) of the employee (Belcher Jr. 1993; Cotton 1993). From this perspective, the improvement of QWL is an integral part of the human resource approach to productivity improvement.

QWL is a broad concept embracing several features. As noted by Lowe (2000), a leading researcher in this field, the key features are the following:

- Decent living standard and economic security;
  - Healthy and safe working environment;
  - Mutual trust among employers and employees;
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- Participation in decision making;
- Culture of openness regarding decision making;
- Encouragement of initiative and creativity;
- Opportunities to use and develop skills; and
- Work-life balance.

It is obvious that most of these characteristics cannot be developed without an effective dialogue in the workplace. Experience with organisations such as Sri Lanka Telecom has shown that effective workplace dialogue can be used as a vehicle to develop a new organisation culture that promotes labour management co-operation rather than confrontation. The emerging view is that even productivity improvement programmes can be effective only if they are planned and implemented within a healthy climate of labour management relations based on dialogue among managers, workers and trade unions (Prokopenko 1999).

### **PRODUCTIVITY IMPROVEMENT EFFORTS IN THE PLANTATION SECTOR OF SRI LANKA**

The importance of enhancing productivity in the estate sector and improving the quality of work life of the plantation worker as a means of achieving it has received increased attention in the recent discussions on estate sector performance in Sri Lanka. As revealed by previous studies, productivity and in particular labour productivity in the Sri Lankan plantation sector is lower than that of India, a country with a long history of plantations and Kenya, a relative newcomer (World Bank 1994; Arunatilake 2000). Low labour performance and productivity, in turn, has been attributed to a variety of factors including high absenteeism, strikes, poor health and reluctance towards estate employment due to social stigma and harsh working conditions (Dunham et al., 1997; NIPM 1998; Sivaram 2000). If this were the case then it is prudent to ask if an improvement in the quality of working life would result in improved productivity. This question in part has been answered in recent research. For example, in an empirical study on estate welfare programmes, Arunatilake (2000) found that programmes to improve health status of workers and child care facilities in the estate sector had a positive impact on labour performance. In a subsequent study she found the condition of estate housing as another factor having a potential impact on labour performance, but noted that improvements in social support systems and physical infrastructure could also play a vital role in this regard (Arunatilake 2002).

Apart from welfare measures there has been some interest in examining the link between management practices, especially those relating to labour management and worker performance. This has a special significance as the plantation sector in Sri Lanka has a history of having adhered to a rigid hierarchical system of managing labour. During the

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British colonial period it was essentially semi-feudal (Jayawardane 1971; Kurian 1989). Within this system there was very little room for labour management dialogue. Even though the plantation sector has gone through two significant changes after political independence in 1948, first the nationalisation of estates in the 1970s and thereafter the handing over of plantation management to 23 plantation companies formed in 1992, the hierarchical system did not totally disappear. In the recent past there have been attempts to change this system through various mechanisms, some led by the state machinery and others by the managers themselves. These attempts have produced encouraging results in terms of productivity enhancement and employee commitment and building partnership between estate management and workers. For example, in a case study of an up country tea plantation, Kulasekera and Chandratilleke (2000) found that the introduction of participatory management techniques and increased commitment of tea pluckers had resulted in an increase in labour productivity as measured by plucking intake and factory labour output. Similarly, the estate worker housing and co-operative societies (EWHCS), which were introduced to the plantation sector in 1993 through a political decision of the state, have been able to forge a closer link between management and labour and instill a sense of dignity and belongingness among the workers (Kumarasiri & Wijekoon 2001). The first one was managerially led and the second state led. Regardless of the origin, in both cases there had been a clear tendency to move away from the traditional hierarchy in search of greater employee consultation and participation. The present case study presents the experience of a plantation group managed by a plantation company where the management has implemented several programmes to foster labour management co-operation to enhance both estate performance and the quality of working life of the plantation worker.

### **BOGAWANTALAWA PLANTATIONS COMPANY (BPL)**

Bogawantalawa Plantations Limited (BPL), is one the 23 plantation companies established in 1992 under the divestiture programme of the state to manage state owned plantations. BPL is a public quoted company listed in the Colombo Stock Exchange, with 70 per cent of the company shares owned by the Metropolitan Resource Holdings, 20 per cent by the public and the balance 10 per cent by employees. The company manages 28 plantations of which 11 are tea plantations in the central hills and the balance rubber-cum-tea plantations in the low country covering a land area of 16,220 hectares. The 28 plantations are clustered into 10 plantation groups including Maha Oya, the focal point of the present case study.

The Maha Oya Group, located 56 kilometers away from the capital, is a low country plantation covering approximately 2006 hectares of land covering 64.7 square kilometers in Southwest Sri Lanka. The Group comprises 10 plantation divisions coming under three estates, Maha Oya, Woodend and Densworth. The principal product of the group is crepe rubber and the entire produce is exported. In 2001 the group recorded a production

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of 1.1 million kilograms of crepe and centrifuge rubber. The total workforce of the group including managers and supervisors is 920, with 65 per cent being females. The workforce is highly unionised. Union membership is split among five trade unions affiliated to different political parties. Of the five unions, the Lanka Jathika Estate Workers Union (LJEWU), has the largest membership in the Maha Oya Group. The management team comprises the Group General Manager, who is the 'operations chief' of the Group, a Senior Manager and a Deputy Manager.

### **PRODUCTIVITY ENHANCEMENT AND LABOUR MANAGEMENT DIALOGUE AT BPL**

Productivity enhancement and labour management dialogue are not totally new concepts to the BPL as they are among the 'core values' articulated by the top management. To give effect to them, the company initiated several programmes including the formation of estate worker housing and co-operatives (EWHCS), installation of water supply schemes and the formation of quality circles in factories to improve factory productivity and housekeeping. Most of these programmes were linked to several projects implemented in the plantation sector by the Plantation Reforms Project of the Ministry of Plantation Industries, Plantation Housing Social Welfare Trust (PHSWT) and several Non-Governmental Organisations (NGOs). Having recognised the potential benefits of these projects, the top management of company decided to implement them on a pilot basis in selected estate groups where the managers had shown a positive response.

### **PARTICIPATORY MANAGEMENT PRACTICES AT MAHA OYA**

Maha Oya Group was one of the pilot units where multiple leverage points had been established to promote participatory management practices. The social dialogue project (SAVPOT) of the International Labour Organisation (ILO) was the latest of them. The selection of the group itself was an outcome of dialogue among the Chief Executive Officer, functional heads and the General Manager of the Maha Oya Group. Almost parallel to the social dialogue project, the worker education and training (WET) programme of CARE International launched under the Plantation Reforms Project of the Ministry of Plantation Industries had commenced several activities to train managers and supervisory staff in participatory management practices. Similarly, with the intervention of the Plantation Housing and Social Welfare Trust (PHSWT), several institutional structures such as housing committees, water committees and an estate worker housing co-operative society had been established to improve housing and welfare facilities of the workers. In addition, quality circles had been established in the three rubber factories on the initiative of the managers. Another significant step was the formation of self-managed teams (SMTs) in the tapping fields. Led by the initiative of the group managers this step too had been taken almost parallel to the WET and SAVPOT programmes. While each of these projects had made its own share of contribution to

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build up participatory management practices, the group management welcomed the social dialogue project as they found it an appropriate mechanism to co-ordinate all these efforts.

### **ORIENTATION PHASE OF THE SOCIAL DIALOGUE PROJECT**

The initial project meeting was held at the office of the group general manager with the participation of three other managers, nine branch union leaders representing several divisions of the Group and the National Project Co-ordinator (NPC). The meeting started with a briefing of project objectives and scope by the NPC. Thereafter, through a process of brainstorming the trade union representatives identified the following as the major issues of the Group as a business entity:

Loss of revenue due to inadequate fertilisation, overgrown weeds, use of low quality tapping knives and poor welfare facilities for the workers;

- Out-migration of estate labour for more attractive employment;
- Low work motivation;
- Poor communication skills of supervisors; and
- Absence of a sense of ownership of the estate among workers.

The session lasted for about 45 minutes and the managers deliberately kept away from it since they felt that their presence might be an inhibition for the workers to express themselves freely. Soon after the session, the managers were called back to the meeting and were asked to review the list. While reviewing they noted that increase in income and employee welfare are inextricably linked to each other and productivity enhancement is a necessary condition to achieve both objectives. After further deliberation, a consensus was reached with the union representatives to implement the following measures to improve the overall performance of the estate while attending to the welfare needs of the workforce:

- Introduction of rain guards to the rubber trees as a means to improve worker attendance during rainy days\*;
- Training of supervisory staff in the field and the factory in communication skills;
- Re-roofing of worker dwellings on a self-help basis while the material will be provided by the management; and

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\*Rain guard is a polythene sheet wrapped around the trunk of the rubber tree to protect the tapping panel from getting wet due to rain. The practice has been adopted by several companies managing rubber plantations to improve worker attendance on rainy days.

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- Introduction of a new production incentive scheme to enhance the individual earnings of the workers.

Finally, both parties agreed to hold monthly meetings to review progress and to consider new ideas and proposals.

### **FINE TUNING AND EXPANDING THE SCOPE OF DIALOGUE**

A delegation comprising the Group General Manager, Senior Manager and several workers participated in the first National Workshop on Workplace Co-operation through Social Dialogue held in March 2000. At this workshop the delegates presented a revised list of activities including those that were agreed upon at the initial meeting. Some of the new items included in the revised list were:

- Commissioning a pipe-borne water supply scheme;
- Opening bank accounts for all the workers;
- Providing electricity to workers' dwellings;
- Supplying protective masks and helmets to factory workers;
- Improving the nutritional status of workers; and
- Constructing a playground to improve physical fitness among workers.

After further deliberation, the delegates decided to focus on four activities, which they saw as important in the short run, and formulated an action plan to deal with them. The four activities were:

- Introduction of rain guards;
- Introduction of a wage system linked to latex intake;
- Introduction of helmets and masks for factory workers; and
- Opening bank accounts for workers.

The progress of the work plan was reviewed at the monthly meetings held subsequently. During these meetings managers took up two more proposals for discussion. One was the dissemination of 20 corporate values enunciated by the top management of the company and the other the development of a motto for the Maha Oya Group itself. While the monthly meetings were used as the main forum to review work progress through labor management dialogue, the managers and trade union representatives were invited again for the second national workshop on workplace co-operation through social dialogue held in November 2000. The objectives of this workshop were to provide an opportunity for the participating companies to:

- Present the achievements as per the action plans adopted at the first national workshop; and
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- Further revise them to continue the dialogue for enhanced enterprise performance.

In between the first and the second workshops, the scope of the dialogue had increased from four to 15 subjects, some of which were linked to projects other than the social dialogue project. Nevertheless, in presenting work progress the delegates observed that the social dialogue project had been instrumental in co-ordinating the varied activities implemented under different projects. Having recognised the potential for enhancing the scope of dialogue the delegates presented further revised action plan. The revised plan focused on five more issues:

- Supply of pipe-borne water to workers' dwellings;
- Supply of electricity to workers' dwellings;
- Rehabilitation and reconstruction of estate roads;
- Dissemination of corporate values; and
- Assessment of leadership capabilities of employees through secret ballot.

The trade union representatives, who were somewhat docile and dependent on their managers during the first workshop, showed assertiveness during the second one. They played an active role in making presentations on behalf of the Maha Oya Group, thus showing a sense of empowerment. This is particularly significant within the context of plantation management where historically little or no room had been provided to develop worker initiative or leadership skills.

### **FOCUS OF DIALOGUE: SOME OBSERVATIONS ON THE PROCESS**

There were mixed reactions toward the introduction of rain guards. Some trade union leaders who saw its negative impact on the sustainability of the rubber tree expressed reservations about its application. Others suggested the need to enforce strict quality standards in its implementation. Having considered such diverse views, a decision was made at one of the monthly meetings to set up rain guard committees comprising field officers, field supervisors and trade union leaders in each division to monitor its implementation. Where the trade union representatives were not still not convinced of the rain guard system, the Group General Manager declared his readiness to entertain alternative proposals and reward them if they are found to be economically viable.

Using social dialogue to introduce banking practices among plantation workers was a challenge as it was an alien practice to them. The main reason that prompted the managers to include this item in the social dialogue agenda was to cultivate savings habits among the workforce as a basic step in ensuring social security. Through this system the estate management envisaged the opening of bank accounts for all the workers and paying their wages through the bank. The initial reaction of the trade union

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representatives was rather negative as they felt that the average plantation worker, with his/her poor literacy would find the new experience very cumbersome. To alleviate their fear the management invited the local branch manager of one of the leading commercial banks to a subsequent monthly meeting. At this meeting the bank manager explained the potential benefits of opening bank accounts and special arrangements that could be made to take banking practices closer to the estate itself. Although his presence did not completely alter the perception of the union representatives, inviting him to the monthly meeting demonstrated the importance of involving third parties operating outside the organisational boundary to sustain the dialogue on certain crucial issues.

Expanding the scope of dialogue to cover corporate values was another significant event at the Maha Oya group. At one of the monthly meetings, managers moved a motion to develop a motto for the Maha Oya Group and requested the trade union representatives to come up with attractive captions. The trade union representatives took it up as a rewarding task. At the next monthly meeting, managers and trade union representatives shared each other's thoughts and finally agreed on the motto. Translated literally, the motto reads as follows:

*'Strength of Maha Oya hands earns gold to the nation'*

Managers as well as union representatives felt that the motto has captured two realities of working life at Maha Oya: workers' toil which, in turn, brings the much-needed foreign exchange to the country. The Group General Manager announced that steps would be taken to make all employees aware of the motto by displaying it on every building and vehicle owned by the Maha Oya group and most importantly by having it printed on employees' pay slips. This exercise, which was a unique event in the history plantation management in Sri Lanka, demonstrated the possible use of social dialogue as an instrument of harnessing the creativity of plantation workers, who virtually had no opportunities to participate in such exercises due to the wide gap that existed between the 'traditional estate superintendents' and themselves.

Using the dialogue to introduce a production incentive scheme assumed special significance, particularly in enhancing productivity and the economic well-being of plantation workers. From a business point of view, the main objective of the scheme was to increase the latex intake per rubber tapper. Under the new scheme, those who exceed 240 kilograms of latex per month were to be paid an additional sum of Rs 15/- per kilogram. When the managers mooted the idea at a monthly meeting, the trade union representatives reacted with a great deal of caution as they were not very clear about the payment formula and the additional benefits of the scheme in tangible terms. Therefore, the managers saw the need for awareness building among workers as a basic requirement to win their support and, more particularly, the local branch union leaders. The awareness building programme started at the monthly meeting itself when

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the Group General Manager and the Senior Manager explained the scheme using concrete examples. The trade union leaders, in turn, were expected to educate their own ranks at the divisional level with the help of field-level management staff. The importance of commencing a dialogue, particularly with the union leaders, lies in the fact that wage negotiations in the plantation sector have always been carried with leaders of politically controlled unions at the national level who continue to dominate the plantation labour force. Instances are not rare when such negotiations have failed resulting in prolonged strikes paralysing the plantation industry. The experience at Maha Oya suggests that while such negotiations are going on at the national level, there is room for managers and union leaders at the enterprise level (in this case the estate level), to use social dialogue to discuss compensation issues that can have an immediate impact on productivity and the economic well being of the workers.

In conceptual terms, the focus of social dialogue at the Maha Oya Group can be captured under the following themes.

Table 1

Focus of the Dialogue	Related Theme
Introduction of rain guards	Introduction of new technology/ Productivity enhancement
Opening of bank accounts for workers	Social security
Re-roofing of workers' dwellings	Employee welfare
Introduction of an incentive scheme linked to latex intake	Compensation practices
Development of a motto for the group	Corporate values
Supply of water and electricity to workers' dwellings	Employee welfare
Re-construction and rehabilitation of estate roads	Infrastructure development

### **The Institutional Framework for Social Dialogue and Workplace Co-operation**

The framework, which began to evolve with the introduction of various mechanisms under SAVPOT and WET programmes, has now been consolidated at three levels, namely, Tapping Field, Division and Group. It comprises three overlapping mechanisms as explained below.



At the field level, self-managed teams (SMTs) are in operation. Each team, comprising five to eight workers and an elected leader, is responsible for all the field operations including latex collection, quality maintenance of latex and of the tapping panel, fertiliser application and weeding in a given tapping field. In addition, the SMT also serves as the immediate communication channel between the field officer and team members. The idea of setting up SMTs was mooted by the Senior Manager, but SAVPOT was used as an organisational strategy to implement it in a more systematic manner. By end-2001, 61 SMTs were in operation.

At the next level are Divisional Meetings. The meeting, which is chaired by the field officer, brings together all the workers in the division, trade union leaders representing the division and supervisors into a common forum to discuss major operational matters relating to the division. A field officer from another Division is also invited for the meeting in order to promote horizontal learning. The meetings are held twice a month on paydays. This arrangement has been made to ensure maximum attendance.

At the apex level is the Participatory Millennium Quality Circle. The composition of the Circle is as follows:

- Senior Manager (Chairman);
- Group General Manager;
- Senior Assistant Manager;
- Branch Trade Union Leaders;
- Field Officers of all the ten divisions; and
- Leaders of self-managed work teams in the ten plantation divisions.

The Circle, which meets monthly, is presided over by the Senior Manager of the Group. The minutes are kept by the Secretary who at present is a branch trade union leader. Some of the main issues taken up for deliberation at this meeting are listed below:

- Sustainability of the rubber plantation;
- Controlling the cost of production;
- Out-migration of workers due to low wages;
- Planting high-yielding clones to maintain a high level of land productivity.

In addition, those issues that cannot be resolved at the divisional meetings are also brought to this meeting. There is some fluidity in the three-tier structure as the consolidation process has become somewhat time consuming due to different levels of capacity of the constituent parties in the ten divisions to go through the learning process. An abstract model of the framework is depicted in Figure 1.

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## IMPACT OF SOCIAL DIALOGUE

The measurement of the exact impact of social dialogue on productivity and quality of work life at the Maha Oya Group, is compounded by the parallel existence of several mechanisms of labour management consultation mentioned earlier. Thus, the achievements attributed to the social dialogue project should not be treated in isolation but within the context of several interventions, all of which had labour management consultation as a major theme. Nevertheless, as the social dialogue project was viewed by the group management as a common thread that tied together these interventions, an evaluation of its achievements or any setbacks could reveal its effectiveness as an integrating device in steering the labour management consultation process at Maha Oya if not the entire plantation sector. In the present study, the evaluation was carried out using both 'soft' and 'hard' indicators. The 'soft' indicators were used to measure the impact of the project on awareness creation and attitude change while the 'hard' ones were used to measure any changes in productivity and quality of working life.

### Awareness Creation and Attitude Change Among Workers

The evaluation was carried out using the information that had already been collected by the Senior Manager by means of a short structured questionnaire administered among 316 workers literate. The division-wise distribution of the respondent workers was as follows:

Table 2: Distribution of the Respondent Workers

Division	No. of Respondents	%
Glassel	23	7.3
Ernan	38	12
Yogama	81	25.6
Uda Yogama	07	2.2
Woodend	55	17.4
Rangegama	62	19.6
Nugahena	32	10.1
Talapitiya	18	5.7
Total	316	100

Source: Questionnaire on Social Dialogue and Workplace Co-operation

Prior to administration, the contents of the questionnaire were reviewed and refined in consultation with the National Project Co-ordinator. The questionnaire comprised fourteen perceptual questions with forced choice answers - 'yes' and 'no' and a set of brief instructions including a specific request to consult the relevant field officer for any technical clarifications. The focus of the questions was on the following:

- Awareness of the ILO project;
- Awareness of the social dialogue concept;
- Belief in the possibility of resolving workplace issues through dialogue with management and co-workers;
- Awareness of the concept of workplace co-operation;
- Contribution of the two concepts towards effective interaction with management;
- Workers' perception of the impact of the project on labour management consultation within the respective divisions;
- Active contribution of the workers to the decision-making process;
- Workers' confidence in their ability to operate self-managed teams (SMTs); and
- Workers' own assessment of the adequacy of their knowledge in social dialogue and workplace cooperation.

The overall results are presented in Table 3 below.

**Table 3: The Impact of SAVPOT on Plantation Workers  
Awareness and Attitudes**

Measurement Indicator	No. of Positive Responses	%	No. of Negative Responses	%
Awareness of the ILO project	270	85.4	46	14.6
Awareness of the social dialogue concept	280	88.6	36	11.4
Awareness of the concept of workplace cooperation	271	85.7	45	14.3
Confidence in resolving workplace issues through social dialogue	288	91.1	28	8.9
Contribution of social dialogue to resolve workplace issues in the respective division	266	84.2	50	15.8

*Contd...*

Effectiveness of social dialogue and workplace cooperation as tools for interacting with estate management	271	85.7	45	14.3
Impact of the ILO project on labour management consultation within the estate	276	87.3	40	12.7
Opportunities created by the project for workers' suggestions	241	76.3	75	23.7
Self-confidence in operating in self-managed teams (SMTs)	220	69.6	96	30.4
Adequacy of knowledge on the two concepts (social dialogue and workplace cooperation)	194	61.4	122	38.6

Source: Questionnaire Data

## Discussion of Results

From a methodological point of view some degree of caution should be exercised in interpreting these results, as no baseline data were available for a strict comparison of 'before' and 'after' situations. Nevertheless, the overall results seem to suggest a positive impact of the project, particularly in awareness creation and developing positive attitudes toward labour management co-operation. For instance, 85 per cent of the respondents had indicated their awareness of the ILO project, 88 per cent the concept of social dialogue itself and 85 per cent the concept of workplace cooperation. The high level of awareness was due to concerted efforts made by the SAVPOT core team to disseminate information about SAVPOT and the ILO itself through meetings, seminars and poster campaigns within the ten divisions of the Maha Oya Group.\* The poster campaigns turned out to be very effective, especially since the plantation workers have little or no access to other facilities to gain knowledge about the ILO and its multifarious activities.

One of the most significant revelations is the workers' confidence in resolving workplace issues through dialogue (91.1 per cent). With frequent strikes and other forms of labour agitation over wage issues, which are often led by politically powerful trade unions in the plantation sector, this should be considered as a unique achievement. As the results indicate, workers are of the view that unlike in the past social dialogue is being increasingly

\*Under the dissemination programme the core group conducted few workshops at Sapumalkande and Udabage Groups, located in the same region as Maha Oya and managed by Bogawantalawa Plantations.

used to resolve workplace issues (84 per cent). The introduction of grassroots level mechanisms such as self-managed work teams and divisional meetings to promote regular interaction with the field officers may have been instrumental in establishing such confidence.

Furthermore, the vast majority of the respondents (85 per cent) have seen social dialogue and workplace cooperation as twin mechanisms to ensure an effective interaction with the estate management. As revealed during initial discussions with branch trade union leaders at the commencement of the project, labour management style in the plantation sector provided very limited opportunities for such interaction as the flow of communication was mostly top down and one way. Under this system workers were compelled to be passive listeners. Those who became deviants often resorted to conventional union tactics such as strikes, go-slow and slackness in work. However, as the results show, the experience with social dialogue and workplace cooperation has made a profound influence on them to depart from these two conventional approaches.

An equally important observation is the workers' feeling of being consulted more often in making decisions on operational matters than ever before (87 per cent). Such an assessment, coming from the workers themselves, is sufficient proof of the contribution of the project towards strengthening labour management consultation.

In order to strengthen the consultative process, the management has initiated an employee suggestion scheme. Under this scheme each worker is expected to make at least one suggestion per week. Those who forward suggestions receive a written acknowledgement from the managers. Apart from strengthening labour management consultation, the scheme aims at tapping employee potential and creativity. This effort has produced encouraging results, but as the results indicate (75 per cent) there should be greater efforts in future to induce workers to participate in the scheme.

These positive outcomes should not leave room for complacency as a good number of respondents still seem to lack adequate knowledge on social dialogue and workplace co-operation (38.6 per cent). Although the SAVPOT core team has made a substantial effort to disseminate knowledge on the subject both within and outside the Maha Oya Group, the results reveal the need for a continuous educational process to update workers on the concepts and practices of social dialogue and workplace cooperation. This may have to go hand in hand with a programme to further improve workers' confidence in operating the self-managed teams, which has been created by the management as a conduit for worker - management dialogue at the field level. There is a distinct need to put in more effort for this exercise as 30 per cent of the respondents have expressed lack of confidence to manage these teams without depending on the supervisory staff.

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### **Contribution towards Enhancing Productivity and Quality of Work Life (QWL)**

In view of time and resource constraints in obtaining hard data from all the ten divisions, an in-depth case study was carried out in the Glassel Division to examine the contribution of the project toward enhancing productivity and QWL. The division was selected as it has had a history of poor labour management relations compared to other divisions prior to introducing project activities.

#### **Measures of Productivity and QWL**

Productivity enhancement was measured using the following indicators currently being used by the Group:

Latex intake per rubber tapper — as a measure of labour productivity

Yield (volume of latex) per hectare — as a measure of land productivity

Quality of Work Life was measured by two tailor-made indicators developed by the management:

Tappers' income

Tappers' skills

#### **Background Information about Glassel**

The 170 hectares division in extent, has 125 hectares of mature rubber and 39 hectares of forest cover. The monthly production of the division is 11,000 kilograms of latex and scrap rubber. It has a workforce of 75 of whom 60 are on permanent payroll with 50 per cent of the workers residing on the estate. The field operations are under the direct supervision of a field officer and an assistant field officer who in turn reports to the Senior Manager.

Prior to the ILO programme, the Glassel division had a poor performance record both in terms of output and labour management relations. The division had a low yield with only 50 per cent of the crop being tapped. The tapping fields had been very poorly maintained. Worker absenteeism was as high as 50 per cent and there had been cases of theft and intimidation. Lack of discipline among workers was more the norm than the exception. The quality of relationship between management and workers was poor, as both parties did not trust each other. It was against this background that the field officer, welfare officer and the branch leader of one of the unions were roped into 'ILO meetings' (as it is popularly known among Maha Oya workers) held at the Group General Manager's office.

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### The take off

The field officer took the initiative of convening divisional meetings as a follow-up to the 'ILO Meeting' at the group general manager's office. Leaders of eight self-managed teams, branch union leaders, welfare officer and the assistant field officer participated in these meetings which were conducted in an entirely informal manner. The meetings focused not only on production-related issues such as yield increase and weeding but also on labour issues including worker grievances and the out-migration of workers from the estate for more attractive employment. The meetings served two purposes. Firstly, a forum was created for a free exchange of ideas between the field officer and the workers, thereby obviating the need for immediate intervention of trade unions. Secondly, the meetings created an opportunity for all the parties to identify the issues that can be solved at the divisional level itself and those that need reference to the managers. The meeting has now become a permanent mechanism to facilitate the labour management consultation process in the Division.

### Contribution towards Labour Productivity

Data on tapper intake for 2000-2002 is presented in Table 4 below.

Table 4: Increase in Labour Productivity

Tapper Intake (per day)	2000		2001 2002		(Upto August)	
	No. of of tappers	%	No. of tappers	%	No. of tappers	%
Over 20 kg	0	0	14	34	14	33
Over 15 kg	0	0	15	37	17	41
Over 10 kg	18	32	7	17	3	7
Below 10 kg	38	68	5	12	8	19
Total	56	100	41	100	42	100

Source: Divisional data — Glassel

As shown in the table there has been a marked increase in the daily tapping intake during 2001-2002. The increase is largely due to the production incentive scheme referred to earlier, which was implemented through a dialogue that took place initially between the managers and the branch trade union leaders and subsequently between the trade union leaders and the rank and file workers.

Data on land productivity is shown in Table 5 below.

**Table 5: Increase in Land Productivity**

Year	Yield Per Hectare (in kgs)	% Increase
2000	733	–
2001	852	16.2
2002	1041	22.2

Source: Divisional data — Glassel

The moderate increase in land productivity as shown by results in the above table has been due partly to the increase in tapper intake and partly to improved field maintenance programme implemented through self-managed work teams.

### **Contribution towards Enhancing the QWL**

#### **Increase in Tappers' Income**

Changes in tappers' income for three years are presented in Table 6 below.

**Table 6: Changes in Tappers Monthly Income (in Rs.)**

Income Level	2000		2001		2002	
	No. of tappers	%	No. of tappers	%	No. of tappers	%
Over Rs 10,000	0	0	0	0	2	5
Over Rs 7,000	0	0	14	34	14	33
Over Rs 6,000	0	0	15	37	13	31
Over Rs 5,000	2	3	5	12	6	14
Below Rs 5,000	54	97	7	17	7	17
Total	56	100	41	100	42	100

Source: Divisional Data — Glassel

It is no secret that the increase in tappers' income in 2001 and 2002 over 2000 has been primarily due to the introduction of the production incentive scheme. What is prominently



seen in these figures is the drastic reduction in earnings below Rs 5,000 in 2001 and 2002. Therefore, it is reasonable to assume that by securing the commitment of workers for the speedy implementation of the incentive scheme, the project has made an indirect contribution to increasing workers' the income. Predictably, insufficient income was one of the grievances that had led to a high rate of labour out-migration.

### Changes in Tappers' Skills

At Maha Oya the rubber tappers are graded into three categories on the basis of attendance, punctuality, work attitudes, health, tapping skills and the quality of maintaining the tapping utensils. The general characteristics of the three categories are as follows:

#### Category A

Attendance of 85 per cent and above, strict punctuality, positive work attitudes, superior tapping skills, good health and proper maintenance of tapping utensils.

#### Category B

Less than 85 per cent attendance, general punctuality with occasional tardiness, average work attitudes, average health, satisfactory tapping skills and average maintenance of tapping utensils.

#### Category C

Less than 80 per cent attendance, lack of punctuality, poor work attitudes, average tapping skills, poor health and poor maintenance of tapping utensils.

Admittedly, all except attendance are subjective factors and details of specific measurement devices were not available at the time of the study. Changes in tapper skills during 2000-2002 are shown in Table 7.

Table 7: Changes in Tappers' Skills

Skills Category	2000		2001		2002	
	No. of tappers	%	No. of tappers	%	No. of Tappers	%
A	12	21	21	50	28	67
B	22	40	13	32	9	21
C	22	39	7	18	5	12
Total	56	100	41	100	42	100

Source: Divisional Data — Glassel

On the whole, the results indicate a 46 per cent increase in A category workers and a 27 per cent decrease in C category workers between 2000 and 2002. There was no tangible evidence to locate the exact reasons for this change, but as explained by the field officer, the opening up of channels for regular labour management dialogue has created a climate conducive to generate a higher degree of work commitment than in the past.

### **CONCLUDING REMARKS**

The findings of this study have both theoretical and practical implications. From a theoretical point of view, the study has lent further support to the growing evidence of the positive impact of participatory management practices on improvement in labour productivity in the plantation sector in Sri Lanka. Apart from their theoretical validity, the findings are an eye opener for plantation managers, some of whom continue to be sceptical of the desirability of moving towards the participatory style of labour management. Secondly, the experience at Maha Oya has very convincingly highlighted the role of social dialogue in tapping the hidden potential of plantation workers who had hitherto been treated as less literate than the industrial worker, passive and over-dependent on superiors. The development of the group motto through dialogue poses serious challenges to these conventional assumptions. Finally, the study has demonstrated that to some extent the sustainability of institutional structures for social dialogue such as SMTs would depend on the ability and the confidence of the plantation workers to enact the new roles expected of them. As revealed by questionnaire results, both their ability and confidence need further improvement. Hence, a long-term investment in capacity building appears to be an absolutely essential requirement to sustain social dialogue.

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# Factory Improvement Programme

*Charles Bodwell*

## OVERVIEW

The ILO' Factory Improvement Programme (FIP) is a multi-supplier training programme for the development of local factories' capacity in industrial relations, health and safety and working conditions, linking to areas of productivity and quality. The programme involves groups of six to twelve factories for a six to nine month training and factory-level consulting / improvement programme. Short training sessions for each module are followed by factory visits and consulting in the specific needs of individual factories.

The Factory Improvement Programme is funded by the US Department of Labour with follow-up activities funded through the Swiss State Secretariat for Economic Affairs (SECO). Two rounds of FIP, with a total of 20 factories, have been completed in Sri Lanka and activities are beginning in Vietnam with an additional 12. The objectives of each programme — comprising six modules — are as follows:

- In each country the programme targets considerable improvement in working conditions, labour practices, quality and productivity in 6 to 12 supplier factories as a demonstration of the direct linkage between good management and good labour practices;
- Around 30-50 workers and managers are directly trained in each module. Others at the factory level have their skills upgraded by participation in improvement efforts; and
- Local participating institutions have the capacity to continue to provide similar services.

## BACKGROUND AND INITIAL RESULTS

The ILO conducted an extensive research programme on social and labour issues and the management of supply chains stretching from Asia to the Americas. During this

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work, one frequent request — made by multinationals, suppliers, workers' organizations and governments — has been for a programme to develop capacity at the factory level, providing local industry examples of how improvements can benefit local companies and workers. With this in mind, the ILO developed the Factory Improvement methodology.

FIP is based on introducing systems that support improvement in a range of inter-related areas; a unique aspect of FIP is how it links quality, productivity, labour practices and health and safety. Key performance indicators (KPI) are monitored in each module, providing quantitative feedback on the impact of the project. For example, these indicators allow the project to track changes in quality, productivity, worker turnover and absenteeism. In the first FIP in Sri Lanka, there have been considerable quantifiable improvements:

- End of line defects fell from around 13 per cent average across the participating factories to around eight per cent during the course of the programme;
- Absenteeism fell from almost eight per cent to five per cent; and
- Turnover fell from nine per cent in participating factories to around seven per cent.

These improvements were the result of literally hundreds of changes, large and small, made at the factory floor level. To illustrate, in one factory employing 2,000 mainly female operators, the women using hand looms were all supplied with pressure mats, dramatically reducing leg fatigue; in the same facility a new ventilation system was introduced, reducing the temperature in the non-air-conditioned facility; in addition, a rack storage system was introduced at US\$30,000 expense. In each factory, committees representing workers were introduced, as were grievance procedures that allowed workers to receive redress for problems with management. Dangerous use of toxic materials was addressed, personal protection equipment was introduced and lighting was improved. Due to these changes, productivity saw a considerable rise across operations.

These improvements led to better quality, lower turnover and a drop in absenteeism, as presented in the graphs below (see Figure 1-3).

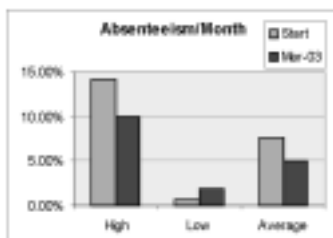


Figure 1



Figure 2

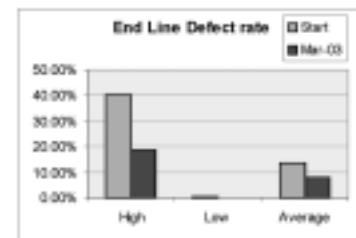


Figure 3

The programme relies on Factory Improvement Plans for each factory, allowing participants to track change plans and determine to what degree these have been implemented.

Of course, quantifiable improvements can be temporary or more permanent in nature. As with any factory level intervention, there is the danger that any improvements in working conditions, quality control interventions or other changes in the work environment can lead to temporary increases in productivity, health and safety or other positive results. To avoid temporary improvement, it is crucial that systems be changed and that those participating understand and become committed to these changes. It is for this reason that the programme targeted having the participants be the ones who decide on and implement actual changes, with assistance from the project team.

### MODULE-BASED TRAINING, FACTORY-LEVEL IMPROVEMENT

The programme is made up of training modules and in-factory improvement efforts covering a range of topics targeted at achieving compliance with the ILO's core labour standards. This structure will be true in each of the country-level programmes, with the six modules each lasting around one month, starting with a two-day seminar on the topic followed by in-factory assistance. As such, each country-level programme lasts around six to nine months.

#### THE FOCUS OF THE MODULES IS THE FOLLOWING:

##### 1. Social dialogue and communications

The first session sets the stage for all following activities, with the objective of building cooperation, consultation and dialogue between workers and managers at the factory level. It expressly targets improving communications—an objective that is implicitly addressed by each of the sessions, building on what was learned in this first module—while emphasizing the need for factories to recognize workers' freedom of association / collective bargaining rights.



Figure 4

## **2. Management systems and achieving quality improvement**

The focus on this session is on developing an understanding of the factory improvement approach with participants while also ensuring the “buy-in” of senior management by providing them benefits that impact their bottomline. During this module, the consulting/self-improvement methodology first introduced in module one is continued, further strengthening dialogue as well as quality.

## **3. Productivity, overtime and payroll practices**

The next session continues to develop participants understanding of good, systems-based organizational improvement by focusing on increased productivity. The module targets increasing worker involvement, while also helping suppliers better meet national labour laws for total hours worked in a week—a goal focused on by many factories. The programme also works to ensure fair pay practices, acceptable accounting standards and clarity of pay with workers.

## **4. Human relations, organizational culture and discrimination**

This session seeks to build on what was covered during the last session, highlighting HR practices that support national labour law, code of conduct goals and core labour standards, particularly with regard to discrimination but also with regard to other areas. The focus is on organizational culture, also seeking to build on activities that had begun under earlier modules. Again, the role of both workers and managers in any improvement effort is emphasized.

## **5. Health and safety**

This module seeks to use improvements achieved in social dialogue and communications to identify those areas requiring improvement in health and safety. The module also focuses on other areas of working and work-related conditions that could improve the job satisfaction and motivation of employees. These are specific to each situation, but can include such items as healthcare—for example, AIDS and HIV awareness—dining facilities and nutritional content of meals. While for the most part housing may not be provided for workers, for example, during this module factories may examine ways in which they could improve living conditions for workers or address transportation concerns.

## **6. Review and continuous improvement**

The final module targets the continued integration of the improvement efforts into processes in the firm. Its objective is to complete efforts already begun in other modules, to see how changes can be institutionalized and introduce processes for self-examination and change for the future.

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## **LOCAL TEAM AND INTERNATIONAL EXPERTS**

Experts—both national and international—support participating factories throughout the programme. These are leading professionals with in-depth knowledge of the topics being covered—whether they be related to production, safety of workers or industrial relations. ILO staff may provide complementary support, given the organisation's considerable experience in a variety of areas. The nature of the support provided by experts means factories get the chance to introduce the latest practices in areas being addressed.

International experts are backed by a local team, experts with considerable factory-level experience in each country where the project takes place. The team supports the project for all six modules, developing a rapport with local companies, traveling to factories with experts in each of the module areas in order to assess their current state, then making follow-up visits during the remainder of the module.

## **PROGRAMME STRUCTURE—ROTATING AND OVERLAPPING MODULES**

FIP is made up of a two-day seminar for each learning module, followed by factory visits by the expert in the specific subject area together with the programme coordinator/expert. These experts review a self-assessment completed by the factory and develop with factory improvement teams, made up of workers and managers, an action plan of change to be completed both over the following month of the specific module and during the course of the programme.

The first two steps involving the international expert cover the first two/three weeks of each module, followed by rotating follow-up visits and consultation by the FIP local team. Finally, before the start of the next module there are progress reports by each factory, to review improvements made and suggest plans for the future. There is an attempt, during the two-day seminars, to further develop the communications between workers and managers, to increase consultation and worker involvement, and have considerable input on the part of factories.

There are several benefits to the rotating nature of the modules, spread over a six to nine month period. First, the break between modules is not a free time, but rather entails the completion of assignments, related both to the module just completed and the module to come in the next installment. That way, the time of the experts is leveraged, and participants are better able to take part in the training with examples taken from their own operations.

## **REVIEW FINDINGS**

In conclusion, it might be best to end with the results of an independent assessment conducted by the donor, the US Department of Labour, in cooperation with the ILO

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following completion of the first FIP programme in Sri Lanka. Comments from this review include:

- “The results achieved using the methodology ... has been very successful and showed that the main PD (project document) objectives were well founded”;
  - “ ‘Inline’ and ‘end of line’ quality rejects [cut] by 46 and 40 per cent respectively”;
  - “Labour turnover and absenteeism have reduced by 26 and 34 per cent”;
  - “[The assessment] team was impressed with the number of changes that had been implemented as a direct result of the project”; and
  - “The brands interviewed stated that they had witnessed remarkable changes in the participating factories” (emphasis added).
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# Workplace Co-operation through Work Teams at Dankotuwa Porcelain

*Charles Bodwell*

## WORK TEAMS AND EMPLOYEE PERFORMANCE

The interest in work teams in the study of organisational behaviour has increased quite rapidly in the recent years. Recent research conducted in the Anglo-American context has provided substantial evidence on the positive impact of team work on improved decision making, productivity and quality, greater service efficiency, customer satisfaction, employee satisfaction, reduced labour costs and low employee turnover (Batt 1999; Banker et. al., 1996; DiGiacomo 1997). Similar results have been reported by Fonseka and Jayawardane (1996) in a study of self-managed teams (SMT) in a textile mill in Sri Lanka. In this study the researchers found that the SMTs had shown superior performance in terms of production efficiency, quality and attendance over other employees organised on traditional lines. It is widely recognised that such outcomes are due to increased employee involvement and commitment generated by the successful operation of work teams.

Different forms of work teams based on purpose, location and nature of responsibilities have been reported in the literature. These include management teams, quality circles, problem solving teams, self-managed teams, autonomous work groups and cross-functional teams (Dumain 1994; Muller 1994) and more recently virtual teams (Eom & Lee 1999), where team members based in different locations, dialogue with each other through advanced telecommunication devices. Teamwork has assumed such a prominent place that it is considered as a key feature of high performing work systems (Whitfield & Poole 1997; Rees 2000).

All teams are not equally effective. In an analysis of self-managed teams in the Xerox Corporation's customer service organisation, Wageman (1997) has identified seven

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critical factors determining the success of teamwork. These are: clear engaging direction; a real team task; rewards for team excellence; basic material resources; authority to manage the work; team goals; and team norms that promote strategic thinking. Similarly, Greer (2001) has noted several features of effective work teams such as small size, commitment to a common purpose and performance standards, willingness for collective accountability and complementarity of skills.

Much of the available literature on this subject deals with the outcome of teamwork and factors affecting team effectiveness. While this is acknowledged, one should not underestimate the importance of analysing the process of setting up work teams as it involves crucial issues of implementing organisational changes. In the case material presented in this chapter, three such issues have been identified:

- In a situation where quality circles have been in operation with explicit support from top management, how best can top management commitment be obtained for a trade union-led initiative to establish and operate work teams as a parallel mechanism at the shop floor level?
- How can employee resistance to the formation of work teams be overcome?
- What mechanisms should be established to solicit managers' support to spread the practice of work teams into different work units in the production line?

The present case study, based on the experience of setting up work teams on an experimental basis in several work units of a porcelain factory in Sri Lanka, shows that dialogue among different parties including top and middle managers, frontline managers, trade union leaders, supervisory staff and the shop floor workers play a decisive role in addressing the above issues.

Relative to almost all the cases cited in the literature on work teams, the experiment reported in this case study is a unique one as the idea of establishing work teams was mooted by the trade union leaders and not by the management. Within this unique context, those union leaders who promoted the idea of establishing work teams had to first initiate a dialogue with the chief executive officer (CEO) to solicit his support. Thereafter, the services of an external facilitator were obtained to provide awareness training to front-line managers, supervisors and shop-floor workers on the nature and potential benefits of team work. The training, whilst imparting knowledge on team work to the target group, opened a window of opportunity for the trade union leaders to dialogue with more personnel including some front-line managers, supervisors and shop-floor workers who had taken some interest in work teams. The achievements gained through this process, some of the limits to employee-initiated change and the need for greater managerial involvement in the dialogue process to spread work teams into other units in the factory are discussed in the following pages.

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## ENTERPRISE PROFILE

Dankotuwa Porcelain, which is located 50 kilometres north of Colombo, the Sri Lankan capital, was incorporated in 1984 and is listed in the Colombo Stock Exchange as a public quoted company. The company manufactures a range of porcelain products primarily for the export market. The export sales constitute 83 per cent of the total sales. The company has a workforce of 941. The breakdown of the workforce by occupational category and sex is given in Table 1 below.

Table 1 : **Personnel Strength by Occupational Category and Sex**

Employee Category	Male	Female
Managerial	10	01
Executives including supervisors	50	16
Clerical and allied	68	46
Skilled labour	387	285
Unskilled labour	27	08
Trainees	03	01
Others (temporary workers)	17	22
Total	562	379

*Source:* Company data

Two trade unions, one of which is affiliated to the main political party in power and the other to the main opposition party have branch unions in the company. The former has a membership of 550 while the latter has 200. The membership in both unions is confined to non-executives.

### Situation Analysis

The concept of workplace cooperation through labour management dialogue was not totally alien to Dankotuwa Porcelain. At the time of participating in the ILO programme on social dialogue the following mechanisms for labour management consultation were already in practice.

- Collective bargaining;
- Quality circles;

- Weekly production meetings;
- Union management meetings;
- Welfare meetings;
- 5S practices; and
- Suggestion schemes.

These mechanisms had, in varying degrees and forms, contributed their own share to foster labour management cooperation.

Over the years the company has established a sound track record as an export-oriented venture. This was evident from the following national awards won by the company for outstanding performance in the export marketing field:

1996 & 1997	Gold medal awarded by the National Exporters Association for the best export company
1996	Runner-up for the Taiko Akimoto award for 5S
1997	Gold medal awarded by the National Exporters Association for the best export trade mark
1998	Gold medal awarded by the National Exporters Association for the best export company in the large scale category

In 2001, Walt Disney awarded a major contract to the company to supply tableware. This was in recognition of the superior quality standards maintained by the company in manufacturing its products for the export market. The senior management was of the view that in realising these achievements the existing consultative mechanisms also have made a certain measure of contribution.

Despite these achievements, a fresh initiative for strengthening labour management dialogue came mainly from the Human Resource Manager with the backing of all the branch trade union leaders. The fresh initiative was prompted by a desire to find solutions to the following issues:

- The perceived inability of the existing quality circles to foster team spirit among employees mainly due to their lack of continuity and stability and the inter-circle competition for material rewards;
- The eagerness shown by the trade union representatives to receive up-to-date information on the company's financial performance especially due to increasing competition in the export market; and
- The need to further improve product quality by minimising wastage.

These were brought to the surface as 'challenges' by a team of company delegates who participated in the first national workshop on Workplace Cooperation through Social

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Dialogue held in March 2000. The team comprised the Chief Executive Officer, Human Resource Manager, one Production Executive and three trade union representatives from the production line. At the workshop the delegates initially identified twelve challenges, but subsequently prioritised them and shortlisted the following for future action planning:

- Promoting employer-employee cooperation;
- Facing market competition;
- Reducing wastage; and
- Enhancing employee capabilities.

### **PLANNING FOR CHANGE**

The process of planning for change started with the formulation of an action plan by the delegates to address the shortlisted challenges within a time span of one year. The action plan included five basic elements:

- Identified challenge;
- Proposed strategy based on labour management cooperation;
- Mechanism for strategy implementation;
- Parties responsible for plan implementation; and
- Time frame.

### **AMONG THE KEY MECHANISMS IDENTIFIED FOR PLAN IMPLEMENTATION WERE:**

- Establishment of work teams particularly in the production line;
- Information sharing on financial performance of the company;
- Creating more opportunities for employer-employee interaction through activities such as sharing the same canteen by both executives and non-executives; and
- More training opportunities for employees.

### **MANAGING THE CHANGE PROCESS**

#### **The Initial Phase of Awareness Creation**

The initial phase of the change programme was marked by over-enthusiasm among trade union representatives and a guarded response towards action plan strategies by the CEO. At the first progress review meeting held between the management and trade union representatives, the modalities to implement all the four mechanism were taken up for further discussion. The CEO, whilst explaining the legal restrictions imposed on

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a public quoted company in sharing financial information with employees on a regular basis, reaffirmed the management's readiness to continue the employer-employee dialogue on all other matters that have no such restrictions. The trade union representatives accepted this position. Progress on staff training was further reviewed and it was noted that as a policy the company would give priority to in-house training over external training. This was not disputed by trade union representatives. The CEO, while recognising the concern of trade union representatives over lack of team spirit among managers and other employees, observed that a persuasive approach would be more desirable rather than compelling the managers to change their dining habits to foster more team spirit. Finally, the meeting centered on the feasibility of establishing work teams as a solution to most of the issues including lack of team spirit at the shop floor level. The necessity and even the desirability of another team-based mechanism in addition to the already existing quality circles was discussed at some length. The trade union representatives expressed reservations about the effectiveness of QCs due to such factors as failure to secure employee commitment, lack of continuity in QC operations and the unhealthy competitive element built into them. Due to these reasons, they viewed work teams as a better instrument of securing employee commitment and labour-management cooperation than the QCs. The representatives felt that work teams would be particularly useful in handling production and operations issues in the factory. This idea was backed by the Human Resource Manager. The CEO remained non-committal and emphasised the need for greater understanding among managers and other employees before work teams are established. Finally, the following decisions were arrived at:

- Requesting an external facilitator, in this case the national co-ordinator of the Workplace Co-operation Project, to conduct an awareness session on the objectives and operational aspects of work teams; and
- Identifying, within two weeks, a section where a work team can be established experimentally.

The awareness session was conducted as planned with the participation of 24 personnel including four managers, four supervisors and sixteen manual and operative employees. The supervisors and manual workers were from the loading, sagger, glazing, casting, RHK, and moulding sections of the factory.

The session, which was inaugurated by the CEO, focussed on two objectives:

- To provide training inputs before the formation of work teams in the factory; and
  - To make preliminary arrangements to form work teams in the glazing, loading and sagger sections of the factory.
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Selection of these three sections had been a joint management-union decision. The national project co-ordinator provided training on the role of work teams at different stages of team development and the factors affecting team effectiveness.

The basis of forming work teams was discussed at length but no conclusion was reached. The group decided to nominate an action committee from among those who were present to work out a basis for setting up work teams that would meet the requirements of the production process. The committee comprised the production manager (kiln), production supervisor (glazing), assistant production manager and four other production workers representing the glazing, loading and sagger-making sections.

### **FORMATION OF WORK TEAMS: FACING RESISTANCE IN THE PILOT PHASE**

During the pilot phase, the action committee took the initiative to persuade managers and employees in the glazing, loading and sagger-making sections of the manufacturing plant to establish work teams, but no significant progress was made except in the glazing section. Those in the sagger-making section showed a lukewarm response due to the reluctance of most employees to change their old work habits. Still worse, there were symptoms of resistance among some employees in the loading section. The resistance was purely due to personal reasons. The action committee did not have the strength to overcome resistance as it operated essentially as a low profile body. Faced with this setback, the following steps were taken:

- Encouraging the employees of the glazing section to establish work teams to demonstrate its usefulness as an instrument of resolving ongoing operational issues in the production line; and
- Persuading other managers and sections to try out work team concept in place of the loading and sagger-making sections who opted out of the programme.

Both steps produced encouraging results. Led by the initiative of the production manager (kiln), production supervisor and several other manual and operative employees, two work teams were established on an experimental basis in the RHK glazing section in August 2000. One team was in charge of cup glazing, and the other casserole glazing. At the initial stage, some employees in the glazing section were somewhat apathetic towards the formation of work teams, but this was overcome by the efforts of the action committee as well as the Human Resource Manager, who took a special interest in promoting the work team concept at the action planning stage. The persuasive efforts of the action committee resulted in a positive response from the manager of the packing section who participated in the third national workshop on workplace cooperation held in March 2001 to orient himself with the concept and practice of workplace cooperation through social dialogue. Following this event another work team was established in the packing section in March 2001.

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## **CONTRIBUTION OF SOCIAL DIALOGUE PRACTICES DURING THE PILOT PHASE**

### **Union Management Meetings**

Even though the formation of work teams remained largely experimental during the pilot phase, the dialogue process brought about modest improvements in the eyes of both managers and union representatives. One of them was the union management meetings, which have been a useful forum to discuss key problems in meeting export orders due to poor production planning. Besides the employer employee dialogue, the action committee also initiated a dialogue among employees themselves at the shop-floor level. Through this process they were able to identify causes of production defects and reduce the reject rate from six to four per cent. As observed by the production manager (kiln) and other employees who were actively involved in promoting the dialogue, this was a modest but significant achievement.

### **Work Teams in the Glazing Section**

The main functions of the glazing section include transporting biscuitware from the roller hearth kiln, removing dust settled on biscuits by applying compressed air, glazing (cup glazing and casserole glazing), glazing inspection and thereafter loading the biscuits to carts.

Each team comprises eight members including a team leader and all of them are females. Since establishment, the two teams have held twelve meetings at various intervals and minutes of meetings have been maintained. Initially, the teams concentrated mainly on personnel issues such as controlling employee absenteeism, handling employee grievances through work re-allocation, evaluation of team performance and employee training. Following preliminary discussions with the production manager, the two teams formulated an action plan featuring the following elements:

- Subject;
  - Objective;
  - Time period;
  - Performance indicator;
  - Progress achieved; and
  - Parties whose support is required.
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The action plan of Team No. 1 is given in Table 2 below:

Table 2 : **Action Plan of Team No. 1**

Subject	Objective	Time Period	Performance Indicator	Support Required
Handling team member grievances	To create a peaceful working atmosphere	November 2000 to February 2001	Reduced grievances	Team members
Evaluating team performance	To create an in-depth knowledge of team work	Long term	Review of work completed by the team	Production Manager and Supervisor
Maintaining team discipline	To make members aware of the importance of team discipline	Daily		Production Manager and Supervisor

Within a short time span, the teams have achieved some degree of progress, especially in handling employee grievances and training. Some of these achievements are illustrated in the following vignettes.

#### **Redressing Employee Grievances through Work Teams**

Glaze seeping, which is the main operation of the glazing department, was hampered due to prolonged illness of three production workers. Making matters worse, there were regular work interruptions due to two pregnant workers and a lactating mother. The latter had to be given a 'statutorily entitled' feeding interval daily. The team discussed all the three issues at length and arrived at the following solutions.

With the consent of other team members, one of the sick employees was given documentation work in the section and the other two were assigned light duties.

In order to tide over the situation created by the slackness of two pregnant workers and the lactating mother, two temporary workers were recruited with the approval of the production manager.

The new arrangements yielded promising results. Work re-allocation resulted in improved attendance of the sick employees while the recruitment of temporary workers provided an opportunity for other team members to acquire skills in handling other tasks with which they had little familiarity. Besides redressing employee grievances, these new measures enabled the glazing department to minimize interruptions to the workflow.

The capability of work teams to resolve problems of labour shortage through on-the-job training is illustrated in the following vignette.

#### **Role of Work Teams in On the Job (OJT) Training**

The glazing department was experiencing a labour shortage as a result of several skilled workers leaving the company. With the consent of the production manager, the team took two measures to solve the problem:

Recalling a female employee from another section who had been previously trained in glazing; and

Training of two male workers in glazing during intervals such as tea and lunch, in order to avoid any interruptions to regular work schedules.

The latter step led to an improvement in attendance as male workers did not enjoy the same leave entitlements as their female counterparts. More significantly, there was an increase in work efficiency as male workers showed greater capability than the females to glaze large objects.

Despite these encouraging results, the action committee which operated as a low profile body, lacked the strength to overcome continued resistance from certain quarters such as those in the loading section or to disseminate the work team concept among a wider audience. This situation created a need to establish a clear responsibility center to address the key issues in managing the change process while expanding work teams as a core feature of the shop-floor labour process.

#### **ESTABLISHING AN INSTITUTIONAL MECHANISM TO MANAGE CHANGE AND EXPAND SOCIAL DIALOGUE**

Having experimented with the operation of work teams for little over six months in the glazing department, the company appointed a steering committee in March 2001 to further strengthen workplace cooperation project activities. The committee, which operates under the overall guidance of the CEO and the Human Resource Manager, comprises the production manager (kiln), manager (packing department), personnel officer, supervisor (glazing) and three trade union representatives. The main role of this committee is to monitor the effective dissemination of workplace cooperation concepts, including the concept of work teams, both within and outside the company. Within this mandate the committee undertook the responsibility to:

- Bring new parties such as senior managers, line managers, other executives, shop floor employees in the stores, maintenance and office employees to the dialogue; and
- Establish work teams in other sections of the company.

During the short period of operation, the committee has held several meetings to review the project's progress and organised two workshops among company employees to disseminate the company's experience in social dialogue. The workshops were used as the main forum to share the experience of work teams with other employees. The steering committee has been instrumental in persuading employees in the production line to establish two more work teams – one in the packing department and the other in the biscuit inspection department. The former was established in March 2001 and the latter in September 2001.

In addition to these efforts, the committee has held preliminary discussions with personnel in the mixing and casting departments to explain project objectives in general and the importance of work teams in particular. The casting department was chosen particularly in view of the unhealthy relations between management and labour. In the mixing department, arrangements are underway to establish a work team. Nevertheless, the response of those in the casting department has not been very encouraging and this will be one of the challenges before the steering committee.

Three factors have made the steering committee stronger than its predecessor, the informal action committee. First, unlike its predecessor the committee functions as a formal body, holds meetings and periodically reports the project's progress to the CEO and the Human Resource Manager. Second, the committee has some responsibility of disbursing ILO project funds allocated for dissemination activities. Hence the management has held the committee accountable for executing the dissemination programme. Third, having been associated with the project's activities from the inception, the committee members have developed a sense of ownership of the project. It is to be seen if this sense of ownership would ensure the sustainability of social dialogue practice in the company.

### **AN EVALUATION OF THE PERFORMANCE OF WORK TEAMS GLAZING DEPARTMENT**

The four work teams, which started their operations at different stages and with different degrees of exposure to social dialogue, have reached different stages of development. Predictably, the two teams in the glazing department have shown signs of maturity and acquired greater competence in problem solving. This was evident from a problem diagnosis chart developed by the team members. The chart included certain subjects which have been prioritised on the basis of five criteria (See Table 3). This is now being used for action planning and monitoring by the two teams.

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Table 3 : Work Team Performance—Glazing Department

Subject	Importance	Gravity	Amenability to solution	Time Required	Difficulty	Total Points
Implementing 5S concepts	2	1	2	2	2	9
Improving the export quality of casseroles	2	2	2	1	2	9
Handling employee grievances	3	3	1	3	3	13
Reducing the glaze pin hole in cups	3	2	1	2	2	10
Improving repair grades	2	2	1	1	3	9
Training of employees	3	3	1	3	2	12

The teams have now reached the stage of evaluating their performance using quantitative data in addition to qualitative assessments. In quantitative terms, team achievements were quite visible in controlling absenteeism and in quality enhancement through the reduction of production defects.

The following table illustrates the improvements in attendance behaviour among five employees after the formation of work groups.

Table 4 : Work Teams and Changes in Attendance Behaviour

Worker	Absenteeism Before the Formation of Work Team %	Absenteeism After the Formation of Work Team %	Reduction %
A	26	7.6	18.4
B	23.4	22.8	0.6
C	16.9	11.4	5.5
D	11.7	7.6	3.9
E	15.2	11.7	3.5

Where production defects were concerned, the cup glazing team has focused on achieving three quality-related targets. The achievements as revealed by the most recent data are presented below.

Table 5: **Work Team Achievements in Quality Improvement**

Activity	Target %	Achievement %
Reduction of glaze pinhole	3.3	3.2
Reduction of glazing defect	3	5.1
No glaze	1	1.2

In addition to these tangible results, the team members have developed strong norms governing their own behaviour. The influence of these norms on team members is expressed through:

- Increased ability to settle intra-team problems without referring to the manager; and
- Improved team spirit and greater sharing of responsibility among team members.

These observations were further supported by the production manager. In his view, the new system has resulted in less supervisory control of employee performance as the two teams are now enjoying a certain measure of autonomy in making internal arrangements on routine matters such as work allocation and controlling absenteeism.

## **PACKING DEPARTMENT**

The main operations of the packing department are receiving packing material, receiving finished goods, packing, carrying out random inspections and transporting the packed sets to the stores.

There are thirty workmen attached to this department and they are assigned to five work stations. The work team was established in March 2001, mainly on the initiative of the departmental manager who was convinced of the benefits of social dialogue through work teams, after his participation in the third national workshop. The work team in this department differs from those in the glazing department in three respects. First, unlike the glazing department, the initiative for establishing the work team came from the departmental manager. Second, the work team is a representative one. It consists of five members representing each of the five working tables. Third, the team leadership rotates among the five members once in every three months.

The main reason for establishing the work team was primarily external in that there was a need to improve accuracy in random checking of packed finished goods (cartoons) to eliminate customer complaints. Such complaints, particularly regarding design discrepancies in the cartoons and shortage of items compelled the department manager to deploy the workers on re-opening the cartoons and re-counting of items. As a result, there were delays in dispatching the finished goods to the market and the extra time spent on re-checking and re-counting became an impediment to improve labour productivity.

The formation of the work team met with some resistance from workers who had negative perceptions of the functioning of quality circles. As seen by them, the quality circles, which have been imposed on them by the management, have cost the company large sums of money. They felt that work teams would be a similar drain on the company budget. The departmental manager was able to dispel these doubts through dialogue with the workers.

A salient feature of the work team in this department is that it has covered both work-related and non-work related issues. The work related issues were work re-distribution and assignment of specific responsibilities to all workers in the department, sharing of team responsibility for random checking of cartoons and re-scheduling of certain operations within the department to establish better co-ordination with the decoration inspection department, which is the last station in the workflow before finished goods are sent for packing. Among the non-work related activities was an arrangement made by the team to dig domestic wells on a *shramadana* (self-help) basis for employees of the department. It was revealed that three wells have been dug since the formation of the team. The extension of the dialogue to non work-related issues is an indication of cohesiveness and norm formation among team members.

The work team, being relatively younger than those in the glazing department, is yet to develop measurable indicators to evaluate its own performance. Nevertheless, both the department manager and the team members reported the following qualitative changes directly as a result of the positive impact of the work team on employee behaviour:

- Minimizing delays in packing finished goods;
  - A virtual elimination of design discrepancies in cartoons;
  - A considerable improvement in random inspection practices; and
  - The development of a team culture based on sharing of responsibilities instead of finding faults.
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## **BISCUIT INSPECTION DEPARTMENT**

The main operations of the biscuit inspection department are unloading biscuits from the kiln, inspection, storage and issuing to the glazing department. The main performance problem of the department was the high percentage of breakage of biscuits while transporting from unloading to storage and thereafter to the glazing department. The breakage rate was as high as six per cent. With a view to finding a lasting solution to this problem, the production manager, who is a member of the steering committee, initiated a dialogue with the workers. The dialogue started with an explanation of the potential contribution of work teams in resolving shop floor issues. The workers responded positively and as a result the work team was established in September 2001.

The work team consists of eight male workers including a team leader. Since the team came into being, one meeting has been held but no minutes have been maintained. The team has passed the orientation phase, a phase during which members attempt to define their objectives and the roles, but more time is required for them to review and expand their mission, which at present is limited to a single theme—minimizing the breakage rate of biscuits.

Understandably, the team has not developed concrete indicators to evaluate performance. This should not be seen as a weakness but more as a reality of the team development process. However, within the limited focus of its operations, the team has taken several positive measures to establish its credibility as a result-oriented body. These measures include the following:

- Storing biscuits close to the glazing department to avoid breakage due to jerking while transporting;
- Repairing the uneven surface on the production floor to prevent jerks;
- Reducing the storage period of biscuits; and
- Educating the workforce in the greenware loading department on the need to reduce the rate of breakage.

## **WORK TEAMS IN ACTION: A SUMMARY**

In their efforts toward promoting social dialogue at the shop-floor level, the four work teams have focused on different issues and are now passing through different stages, characterised by distinct team development features. For purposes of comparison they are summarised in the following table.

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Table 6: **Comparison of Team Characteristics**

Dimension	Glazing Department	Packing Department	Biscuit Inspection Department
Stage of team development	Mature and stable	Transition to Maturity	Formative
Coverage of issues	Wide and expanding	Expanding	Restricted to a single theme
Norms	Well developed	Developing	Not clearly evident
Performance evaluation	Both quantitative and qualitative	Primarily qualitative	Primarily qualitative

### **FUTURE PROSPECTS FOR WORK TEAMS AT DANKOTUWA PORCELAIN**

Having made a moderate contribution in a number of fields, the four work teams have justified their *raison d'être* as mechanisms of enhancing shop-floor level performance through social dialogue. Despite these moderate achievements, there are several issues that should be addressed to make them sustainable.

First and foremost, the dialogue should be extended to other units of the factory as well as the office. The steering committee has already embarked on this project in the factory, but more effort is required to spread it to other sections of the company.

Second, work teams, which operate mostly with the blessings of few line managers in the factory, need more top management recognition than at present. Here again, the steering committee has a vital role to play in creating the much-needed awareness among the top and senior managers and bringing them into the dialogue. The committee made an attempt in this direction by holding a workshop on social dialogue for a group of 80 company employees including a cross-section of managers and workers. Since then progress on dissemination has been somewhat slow.

Third, some of the likely issues relating to the co-existence of work teams and quality circles, as parallel mechanisms of dialogue having similar but not identical agenda at the shop floor level have to be examined by the relevant stakeholders. Quality circles have been in existence for a considerable length of time with the top management's support. Therefore, work teams should not be seen as a threat to their existence nor should they (work teams) be seen as redundant when matters relating to quality and

productivity are already being handled by the quality circles. Some managers in the production line are sceptical about the role of work teams owing to a perceived conflict of roles between the two mechanisms. On the other hand, where the work teams have come into existence in the factory, employees have shown less interest in quality circles. This is a clear manifestation of the potential conflict between the two mechanisms. Although the steering committee does not see such a conflict on the assumption that work teams could focus on a broader range of issues than the quality circles, no concerted effort has been made to change the managers' perception or to ensure the co-existence of the two with minimum conflict. Against this backdrop, the future agenda on workplace co-operation at Dankotuwa Porcelain should necessarily focus on evolving a mechanism to sustain work teams as a central feature of shop-floor industrial relations. Invariably, this will require a greater dialogue especially among top management, line management, trade union leaders and the steering committee than at present.

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# Conclusions and Recommendations of Regional Meeting on Sharing Experiences of Social Dialogue Mechanism

## *A. Sivananthiran*

A three-day Regional Meeting was held from 1-3 November 2004. Altogether about 35 participants representing tripartite constituents from Afghanistan, Bangladesh, India, Iran, Nepal, Pakistan, Sri Lanka and Vietnam participated in this meeting along with Resource Persons from Bangkok, Bangladesh, Sri Lanka, India, ILO Geneva and New Delhi.

S.K. Mukhopadhaya, Chief Labour Commissioner, Ministry of Labour and Employment, Government of India, inaugurated the meeting. In addition, K.M. Nauman representing the employers and V. Puththirasigamoney representing the workers addressed the Inaugural Session. Herman van der Laan, Director ILO SRO, New Delhi and A. Sivananthiran from DIALOGUE, ILO Geneva spoke on behalf of the ILO. A. Sivananthiran from ILO Geneva, Rajen Mehrotra, Senior Specialist on employers' activities and Pong sul Ahn, Senior Specialist on workers' activities, ILO SRO, New Delhi participated in the conference.

The three-day meeting's main objectives were to share the good practices on social dialogue across the region at enterprise level, learn from the best practices and exchange views on means of improving social dialogue processes and mechanisms.

Some of the main conclusions and recommendations emerging from the conference are summarized below:

1. The biggest challenge facing the Asian economy and society over the next few years is the need to manage a structural transformation of the economy and social system in response to globalization. This process cannot be managed
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equitably and efficiently without social dialogue among the main stakeholders at the national, sectoral and workplace level.

2. Social dialogue and tripartism have proved to be valuable and democratic means to address social and economic concerns, build consensus and deal with a wide range of issues at the workplace. However, in many countries, the social partners at the enterprise level are weak and this calls for efforts to build the capacity of social partners. The government, employer and worker representatives from these eight countries reiterated their commitment to use social dialogue to ensure that the key issues of employment and social protection, enforcement of labour law, informal economy and gender are brought into the mainstream of the workplace dialogue.
  3. The meeting took note of the forthcoming Fourteenth Asia Regional Meeting to be held in Korea in 2005 and reiterated the need for setting up of an Action Plan for workplace cooperation in the countries of this region. This presents an excellent opportunity for strengthening collaboration between the social partners in order to achieve appropriate solutions to promote social dialogue at all levels—national, sectoral and enterprise.
  4. The meeting stressed the importance of dialogue at the workplace as an important governance tool for building flexible and resilient mechanisms for enterprise growth without undermining economic efficiency and workers security.
  5. In the Asian region, the informal economy accounts, in some instances, for more than 80 per cent of the workforce. The governments have a key role to play in consultation with social partners in promoting decent work through extension of their services to the informal economy. This will require the development of innovative approaches and tools in partnerships with civil society groups to provide assistance to small and micro enterprises.
  6. The meeting recognized the contributions of SAVPOT, Sri Lankan Telecom, Factory Improvement Programmes, WEBCOP, the Productivity and Competitiveness concept, the Lok Adalat experience in Punjab, India, Labour-Management Cooperation in Vietnam, the experience of the plantation partnership programme for strengthening workplace dialogue and bipartism and labour relations in the region.
  7. The meeting discussed the importance of ensuring the necessary conditions for social dialogue at the enterprise level linking with national tripartism:
    - Respect for freedom of association and collective bargaining;
    - A sound industrial relations environment;
    - Strengthening the participation of workers in management;
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- Respect for roles of social partners;
  - Appropriate institutional support;
  - Survival and continued growth of enterprise;
  - Sharing of information and greater transparency;
  - Role of government in facilitating the process; and
  - Social dialogue to be viewed as a continued process and not as one of activity.
8. The meeting underlined that social dialogue at the workplace is indeed a universal instrument for good governance of industrial relations, although its precise form varies from country to country.
9. Participants underscored the need for counting on ILO technical assistance in strengthening capacities of social partners, bipartite, tripartite bodies, collective bargaining and dispute resolution mechanisms and the importance of improving the participation of women in social dialogue institutions. The meeting also highlighted the need for more research on adapting and issuing successful practices of social dialogue to developing countries and promoting greater sharing of good practices in Asia.
10. The meeting recommended that ILO continue to carry out in-depth studies of best practices of social dialogue at the workplace level with linkage of national level social dialogue and promote ratification and application of ILO standards specifically addressing social dialogue, particularly the following ILO Conventions :
- 87 – Freedom of Association – Convention;
  - 98 – Collective Bargaining;
  - 144 and Recommendation 113 – Tripartite consultations;
  - 150 – Labour Administration; and
  - 154 - Collective bargaining.
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